

# THE ECONOMIC REVIEW

A REVIEW OF THE FOREIGN PRESS  
AND  
A JOURNAL OF POLITICAL ECONOMY

[REGISTERED AT THE G.P.O. AS A NEWSPAPER.]

VOL. XIV. No. 20.

NOVEMBER 12, 1926.

PRICE 1s. WEEKLY

## BANK OF ROUMANIA,

LIMITED.

(Founded 1866.)

Head Office: 16 Gracechurch St., E.C.

Branch: 11 Calea Victoriei, Bucarest.

DIRECTORS.

E. W. H. BARRY, ESQ.  
C. DE CERJAT, ESQ.  
GENERAL THE HON. SIR  
H. A. LAWRENCE, K.C.B.

LORD ORANMORE & BROWNE,  
K.P., P.C.  
LT.-COL. SIR ALBERT STERN  
K.B.E., C.M.G.

Bankers { Bank of England.  
Messrs. Glyn, Mills, Currie & Co.

A general Banking Business with Roumania is conducted, and correspondence from those having interests in that country is invited.

## Crypt House Press Ltd.

SPECIALISTS IN  
BOOK, MAGAZINE and  
GENERAL PRINTING.

INQUIRIES INVITED.

Our Representative will be pleased to Call and Submit Specimens on receipt of a Post Card or Telephone Message.

Head Office and Works:

CRYPT HOUSE PRESS,  
GLOUCESTER.

\*Phone: 734 GLOUCESTER.

London Office:

6 JOHN STREET, ADELPHI,  
W.C.2.

\*Phone: GERRARD 1396.

## NEW PUBLICATIONS

OF THE

## International Labour Office

(LEAGUE OF NATIONS).

### METHODS OF CONDUCTING FAMILY BUDGET INQUIRIES.

Price 1s. 6d.

Methods adopted in various countries in conducting such inquiries are examined in detail. The objects for making such inquiries are also examined, together with the problem of selecting representative families, the scope of the information required, the duration of inquiries and the methods of compiling results.

### METHODS OF COMPILING STATISTICS OF INDUSTRIAL DISPUTES

Price 1s.

The object of the statistics, their methods of collection and publication and of recording the number of disputes is dealt with, together with the various methods of classification, either by their nature or importance and proposals made for the best methods which might be adopted by the different countries from the standpoint of international comparison.

### METHODS OF COMPILING STATISTICS OF COLLECTIVE AGREEMENTS

Price 10d.

The general problems involved are analysed, together with the objects such statistics are intended to serve. The most appropriate methods are discussed, various systems of classification studied and proposals made for the compilation on more or less uniform lines to facilitate international comparison.

(Published in Great Britain by Messrs. P. S. King & Sons.)

### STATISTICS OF EMPLOYMENT, WAGE RATES AND WHOLESALE AND RETAIL PRICES

are also printed monthly in the *International Labour Review*. Monthly 2s. 6d. Annual Subscription £1 4s. 0d.

(Published in Great Britain by Messrs. Allen & Unwin, Ltd.)

For complete Catalogue of International Labour Office Publications write to:—

London Office: International Labour Office,  
26, Buckingham Gate, S.W.1.

## METRON

### INTERNATIONAL REVIEW OF STATISTICS.

EDITOR AND PROPRIETOR—

DR. CORRADO GINI, Director of the Statistical Institute in the University of Padua (Italy).

EDITORIAL COMMITTEE—

A. Andr  ad  s (Athens), A. E. Bunge (Buenos Aires), F. P. Cantelli (Rome), C. V. L. Charlier (Lund), E. Czuber (Vienna), F. v. Fellner (Budapest), A. Flores de Lennus (Madrid), M. Greenwood (London), G. H. Knibbs (Melbourne), L. March (Paris), A. W. Methorst (La Aja), A. Julin (Brussels), R. Pearl (Baltimore), H. Westergaard (Copenhagen).

CHIEF OF THE EDITORIAL OFFICE—  
PROF. GAETANO PIETRA (Padua).

METRON is published four times a year, the four numbers making a volume of 700 to 800 pages in all.

It accepts original articles on statistical methods and on the application of statistics to the different spheres of activity, and reviews or discussions of results obtained by statistical methods in various fields of science, or such material as may be of interest to the statistician. A bibliography is annexed of all works or reviews presented or received in exchange.

Articles and reviews may be written in English, Italian, French or German. Manuscripts in English, French or German should be typewritten.

Contributors will receive free of charge 25 copies of their publications issued.

The subscription rate for Vol. IV. is 20s. (draft) in Europe and \$5 (draft) in other parts of the world, post free; single copies, 6s. and \$1½ respectively each, post free. For Italy and countries with more unfavourable exchange the subscription rate for Vol. IV. is 54 lt. lire, and for single copies 16 lt. lire each, post free.

EDITORIAL, SUBSCRIPTION AND  
ADVERTISING OFFICES—

Metron, Istituto di Statistica,  
R. Universit  , Padua (Italy).

London Agents: P. S. KING & SON, Ltd.,  
Orshard House, Westminster, S.W.1.

# CONTENTS

COMMENTS	...	...	...	...	419	GERMANY	...	...	...	...	430
						Buying Power and Price Formation					
						Foreign Trade Returns for September					
						Further Shipping Amalgamations					
<b>SPECIAL ARTICLES</b>											
The Rise of the Franc	...	...	...	...	421	ITALY	...	...	...	...	432
Economic Conditions in China	...	...	...	...	422	Monetary Reforms and Banking Measures					
						First Consolidated Statement of the Bank of Italy					
						Geographical Distribution of Italian Banks					
						Foreign Trade Returns for the Third Quarter					
						Turnover of Goods at the Port of Trieste in 1925					
						Production of Light Metals					
<b>ECONOMIC SURVEY</b>											
CZECHOSLOVAKIA	...	...	...	...	424	UNITED STATES	...	...	...	...	435
The New Government						The Business Outlook					
Important Legislative Measures						Bankers and Instalment Buying					
The Budget for 1927						The Cotton Crop					
Foreign Trade Returns for August											
Foreign Competition in Automobiles						Foreign Bank Rates	...	...	...	...	438
The Sugar Cartel											
ESTONIA	...	...	...	...	427	<b>THE ECONOMIST'S BOOKSHELF</b>					
Economic Bulletin of the Bank of Estonia						Short Notices	...	...	...	...	438
Reduction of the Discount Rate						Publications Received	...	...	...	...	438
Proposed Customs Union with Latvia											
Foreign Trade Returns for July and August						<b>STATISTICAL SECTION</b>					
Trade with Great Britain in 1925						The Trade Barometer	...	...	...	...	439
Commercial Relations with Russia and Germany						Security Prices	...	...	...	...	439
FRANCE	...	...	...	...	429						
The Budget											
Imports of Russian Coal into France											
The Iron and Steel Industry in September											

## THE ECONOMIC REVIEW.

### Editorial Offices :

6, JOHN STREET, ADELPHI, LONDON, W.C.2.

Telephone : Gerrard 1396.

### Subscription Rates (Post free, home or abroad)

1 YEAR	—	£2 : 12 : 6
6 MONTHS	—	£1 : 7 : 6

The Publisher will be glad to send specimen copies, free of charge, to any address.

The Editor of "THE ECONOMIC REVIEW" welcomes correspondence from Readers, for publication or otherwise, on matters of Theoretical or Practical Economics.

Please use this Form.

To "THE ECONOMIC REVIEW"

6, JOHN ST., ADELPHI,  
LONDON, W.C.2.

Please send me "THE ECONOMIC REVIEW"

one year (£2 12s. 6d. post free).

for

six months (£1 7s. 6d. post free).

NAME .....

ADDRESS .....

DATE .....

## PICKFORDS & HAY'S WHARF SHIPPING & FORWARDING COMPANY, LTD.

and Associated Companies control the largest and most efficient interlocking services connected with the Shipping Trade.

### ASSOCIATED COMPANIES—

THE PROPRIETORS OF HAY'S WHARF, LTD.  
PICKFORDS, LTD.  
HAY'S WHARF CARTAGE CO., LTD.  
HUMPHERY & GREY (LIGHTERAGE), LTD.  
PICKFORDS COLONIAL, INC., NEW YORK.  
PICKFORDS COLONIAL, LTD., SOUTH AFRICA.  
JOHN TROPP & SON (HAY'S WHARF), LTD.  
CONTINENTAL EXPRESS, LTD.  
SOCIETE ANONYME PICKFORDS (PARIS).

WHARVES OWNED AND CONTROLLED BY OUR ORGANISATION :

HAY'S WHARF. FENNINGS' WHARF.  
COTTON'S WHARF. PICKFORDS WHARF.  
WILLSON'S WHARF. CHAMBERLAIN'S WHARF.  
HIBERNIA WHARF. GRIFFIN'S WHARF.

NINE STEAMER BERTHS

55, GREAT TOWER STREET,  
LONDON, E.C. 3.

Phone : 1961 Royal.

Use Pickfords—it costs no more to use the Best.

# THE ECONOMIC REVIEW

A REVIEW OF THE FOREIGN PRESS

AND

A JOURNAL OF POLITICAL ECONOMY

Vol. XIV. No. 20.

November 12, 1926

Price 1s. Weekly

## COMMENTS

IN an article entitled "A Law that was badly made" published in the *Agence Economique et Financière* of November 9 we find some interesting comments on the much discussed question whether a secret inflation is actually taking place in France. The *Agence* emphatically contradicts the statement made by M. Jacques Bainville in the *Action Française* that the Bank of France has been able under the Law of August 7, by means of hidden inflation to issue as many paper francs as it wanted, without accounting for them, in order to purchase gold and foreign currency. According to the *Agence* not only has there been no inflation of this kind, but the Bank of France has not even used the right given to it under the new Law of issuing any paper money for such purposes at all since the Law in question is an unsatisfactory one. For the Law does not state for whose account the Bank of France is empowered to buy gold and foreign currency, and who therefore is to carry the losses or enjoy the benefit of such transactions. Strangely enough, the usual clause "for the State's Account" is omitted, which means that all the responsibility would rest with the Bank itself. Recent developments in the exchange value of the Franc clearly show how wise it was on the Bank's part not to have assumed this responsibility, thus avoiding severe losses. Everybody will agree with the *Agence* that a Law which could possibly result in such a situation is a bad one and that in matters financial it is particularly important that laws should be clear and workable. But, while accepting the *Agence's* assertion that no secret inflation is taking place and that the Law of August 7, bad though it may be, does not really warrant the issue of paper money without accounting for it, we find it extremely difficult to understand the miracle of which we are all witnesses. We feel sure that it would be in the public interest if some authoritative explanation were given as to how it has been possible not only to replace the Morgan Fund and to accumulate a very large quantity of foreign currencies and gold in addition to that, but also how it is that the French Treasury, which only quite recently seemed to be empty, seems to have been suddenly filled.

THE Rt. Hon. Edward Shortt, K.C., has consented to act as chairman of the Provisional Committee of British Holders of French War Bonds issued in London and Dublin. Mr. Alfred Barnard has been appointed Secretary. The Committee has made an exhaustive study of the unfortunate position in which those who invested in French War Bonds find themselves, and is arranging to hold a public meeting of bondholders in London in the course of the next few weeks. It is considered that the meeting should be as fully representative as possible, and bondholders are urged to make every effort to attend. Notice of the meeting, together with

a memorandum prepared by the Provisional Committee, and a copy of the resolution to be submitted at the meeting, will be sent to all bondholders who forward their names and addresses and particulars of the bonds they hold to the secretary of the committee, 15-17, King Street, St. James's, London, S.W.1. Those holders who have already forwarded such particulars to the committee's former office in Walbrook will receive notice of the meeting in due course and need not, therefore, send their names to the new address. The members of the Provisional Committee are: Lord Doverdale, Sir Archibald Earle, Sir Herbert Russell, Messrs. F. R. Bellamy, W. H. Neville Bagot, J. de Cordova, C. Cursons, C. Greenhill, R. E. Hirsch, C. A. Hopkinson, C. R. King and E. Stanley. They have been fortunate in persuading Mr. Shortt to act as their chairman.

AN agreement was reached and signed last week between M. Lafargue, chairman of the French Compagnie Annexe d'Armements Maritime and the Polish Minister of Industry and Commerce, bringing to an end the negotiations which have been in progress for the sale of five newly built merchant vessels to Poland. These vessels, which it is hoped may become the nucleus of a merchant service, have been acquired for £150,000, payable by five annual instalments. As each has a displacement of 3,000 tons, the Polish Government is regarded as having obtained an excellent bargain. Three of the vessels have for several months past been engaged in carrying coal between France and Great Britain. The remaining two are on the stocks at Caen. A Polish commission has left for France in order to take delivery at the rate of one vessel per week, and a State trading company, the Polska Zegluga Panstwowa, with its head offices in Danzig, is being formed for the purpose of running the fleet. The crews, each consisting of three officers and nineteen men, will be entirely Polish, there being actually a greater number of Poles trained for the sea than can find employment. It is intended that the vessels shall carry coal in the first instance to Great Britain, and after the end of the British stoppage to ports in the Baltic Sea.

IT is understood that the Bulgarian Refugee Loan, which is to yield a net sum of £2,250,000, will be floated in this and other countries in the course of the ensuing month. According to the information issued by the League of Nations, it is to be secured by a first charge upon the Excise duties on salt and alcohol, the net receipts of the match monopoly, and all sums received after September 1, 1928, in respect of rent or interest due by the refugees. Other additional revenues are to be assigned if the above-mentioned revenues should at any time fall below 150 per cent. of the annual sum required to meet the service of the loan. During the last financial year, the first three assigned revenues produced 533,000,000 leva, in other terms, 19,700,000 gold francs, a sum which is slightly more than one-third of the total yield of the new loan. The assigned revenues are to be controlled by a commissioner appointed by the League, who will also appoint trustees to represent the

interest of the bondholders. Over and above the securities set apart specifically for this loan, two precautions have been taken to protect the stability of the Bulgarian currency against a depreciation which might diminish the gold value of the assigned revenues. The powers of the National Bank have been carefully examined, and new draft statutes which are in harmony with central banking principles have been agreed to. The other precaution taken is through an arrangement made with the Reparation Commission which provides for the appointment of a transfer committee—should such a thing become necessary—and it will be responsible for regulating reparation payments so as to preserve the stability of the exchange. The scheme, it should be pointed out, is one of refugee settlement, as in Greece, and not of financial reconstruction, as in Austria and Hungary, and the direct responsibility of the League of Nations with regard to the general finances of Bulgaria is neither called for nor undertaken. Since 1922 the Bulgarian Budget has been able to show a surplus, and its unit of currency, the leva, has remained stable for about the same period.

THE American sister company of the Swedish Match Company (the International Match Corporation) is issuing 450,000 preference shares for subscription at \$50, the nominal value being \$35. The price of the last issue, in July 1925, was \$45. Messrs. Lee, Higginson & Co., the National City Company, the Guaranty Company, Messrs. Brown Brothers & Co., Messrs. Dillon, Read & Co., and Messrs. Clark, Dodge & Co. are again the guarantors. The shares are offered to the old shareholders in the proportion of one new to two old shares. The subscription list will be open until November 24 at the offices of Messrs. Lee, Higginson & Co., New York, Boston and Chicago, and Messrs. Higginson & Co., London. The last dividend on the Corporation's preference shares was \$3.20, its net profits—with the subsidiary undertakings—being \$10,696,603 in 1925 and \$10,500,000 in the first nine months of 1926. Since the recent increase the capital of the International Match Corporation consists of 1,350,000 preference shares without voting power and 1,000,000 shares with voting power, the majority of which are held by the Swedish company. The latter, which have no nominal value, have a book value of \$30,033,000. The reason of the new issue is the need for capital in connection with further expansion. The monopoly agreement with Greece came into operation on August 1 this year and runs for twenty-eight years. The Greek Government at the same time received a loan of £1,000,000 against certain State revenues as security. A company has also been established by the Corporation in Portugal, for the purpose of taking over the monopoly hitherto held by the Companhia Portuguesa de Phosphoros, the Portuguese Government holding one-fourth of the shares. In Algiers the factories of Messrs. Caussemille Jeune have been taken over; these are the largest in Africa and enjoy Customs preferences in all the French colonies. For this purpose a syndicate has been formed in conjunction with French capital. The Philippine Match Factory in Manila, which is the only match factory in the Philippines, has also been acquired recently. During the last few days a working agreement has been concluded with the Nitedal Match Factory in Oslo, which is the largest concern of the kind in Norway. In all probability the Swedish-American shareholders will at the same time take over a considerable block of Nitedal shares.

MR. CARL THALBITZER, editor of the *Danish Financial Times* and a director of the National Bank of Denmark, made some interesting observations on the prospects of Anglo-Danish trade at a reception given in London last Tuesday evening by the Anglo-Danish Society. Mr. Thalbitzer's position is an eminent one, and enables him to speak with some authority on the commercial relations between Great Britain and Denmark. In the

course of his remarks he contended that the margin of £40,000,000 on the joint Anglo-Danish commercial turnover ought to be still further utilised in favour of British trade and commerce. He agreed that it would not be easy for the British merchant to capture the markets already in the hands of Germany and America, or contractors from any other country, but, in his view, this was the right moment, and he believed it well worth the while of English people to reciprocate the wave of sympathy and understanding to be found passing over Denmark. He went so far as to suggest a conference between Englishmen and Danes for the discussion of mutual interests, and pointed out that there had even been a question mooted for the creation of an Anglo-Danish Bank, the aims of which would be to finance business between the two countries.

THE Brazilian *Official Gazette* of November 6 published a Decree cancelling the concession of the Deutsch-Sudamerikanische Bank, owing to certain irregularities in some of its foreign exchange transactions. In Brazil severe exchange restrictions are in force, by virtue of which the banks are not allowed to buy foreign currencies from the Banco do Brazil unless they are required *bona fide* for trade purposes. According to a report from Rio de Janeiro, which has received confirmation in Berlin, in cases the transactions in question were of a speculative nature, thus, it was considered, contributing to the recent weakening of the milreis. The bank is making every effort to retain its position in Brazil, and it has asked the Brazilian Government to make fresh investigations. In the meantime it has dismissed the manager and some of the leading employees who were held responsible for the irregularities. Although it has branches also in Argentine, Chile, Mexico, and Spain, the closing of its three Brazilian branches—which have been fairly active since they have been re-opened after the war—would be a serious blow to its prestige. Possibly, thinks the *Financial News*, an intermediate solution will be found by which the bank will be allowed to continue its operations under another name.

AT Geneva, Sir Henry Dobbs, the British High Commissioner in Iraq, gave some interesting information concerning the country for whose administration he is responsible. He pointed out, among many other things, that there had been no deficit in the Iraq Budget since 1922, but that a surplus had been obtained since that date, part of which was to be held in reserve in order to meet Iraq's eventual share in the Ottoman Debt. Asked regarding the much-discussed question of oil in Iraq, Sir Henry said that, although unable to speak with certainty as to the results of the boring tests being carried out by the Turkish Petroleum Company, there was every reason to believe they would prove successful, but whether the output would justify the construction of a pipe line to the sea, costing £10,000,000 sterling, it was impossible to say. He wished to make it perfectly clear that the Turkish Petroleum Company was an international corporation, and that its concession limited it to 24 plots of eight square miles each, that the remainder of the territory would be thrown open to international competition, and that the Turkish Petroleum Company was bound to place at the disposal of the Government of Iraq the results of its researches, which would be available for other exploiters. In reply to questions put to him concerning the measures employed for the pacification and protection of all classes in Iraq, Sir Henry said that there had been excitement but no disturbances as a result of the visit of the Mosul Commission. As might have been expected, this excitement had disappeared, and all persons punished for political agitation in favour of Turkey had been amnestied. In the matter of the foreign trade of Mosul, the Turks had closed the frontiers to commerce, but negotiations for re-opening them were in progress.

## SPECIAL ARTICLES

(Whilst the Editor of "The Economic Review" welcomes in these columns the expression of all shades of opinion on matters of economic controversy, he is not necessarily identified with any particular opinion expressed.)

### THE RISE OF THE FRANC.

By PAUL APOSTOL.

The rise of the franc continued last week. On the Paris Bourse the rate of the £ fell on October 4 to Fr.143.50 and stood at the end of the week at Fr.146.10. As compared with the highest quotations recorded in July the £ sterling has lost Fr.100, or about 41 per cent. In French financial circles there is a feeling of uncertainty as to the probable movement in the rate of the franc in the immediate future. This arises from two causes, the uncertainty as to the policy of the Government with regard to the question of stabilisation, and the influence of speculation on the present rise of the franc.

The French Premier refuses to give any indication of the approximate time or of the approximate rate at which he proposes to realise stabilisation. For instance, in the Budget Bill for 1927, referring to the currency question, he said: "When they ask us to disclose our programme beforehand they seriously misapprehend the elementary circumstances of the problem and of its solution. In order to rehabilitate and stabilise a currency it is absolutely essential that the plan to be pursued should on no account be communicated beforehand to speculators. We are following, step by step, the road we have laid out for ourselves, and we will only be able to satisfy the somewhat restless curiosity of the public when the favourable moment has come. For the present we are content to prepare for that time." On the other hand, according to the *Agence Economique et Financière*, M. Poincaré in the course of his remarks before the Finance Committee of the Chamber of Deputies on November 5 is reported to have declared that "in foreign financial circles the opinion is prevalent that the franc is still depreciated." And again, according to the *Figaro*, when asked by one of the members of the Committee whether he thought it would be possible to revalue the franc, M. Poincaré is said to have answered that he had by no means given up stabilisation, but that it should be accomplished at the proper time.

Really, we do not understand this answer. It is certain that the French Government wants to stabilise, but what is not certain is the rate at which it intends stabilising the franc. Does it mean first to revalue the franc, or does it wish to stabilise it at somewhere near the actual rate (Fr.150 to the £ sterling)? As pointed out in THE ECONOMIC REVIEW last week, French financial circles are inclined to believe that M. Poincaré considers the actual rate to be below the real value of the franc, and that he is anxious to revalue it, to an extent which he himself perhaps is unable yet to specify, before stabilising it. Another reason for the uncertainty in financial circles with regard to the prospective movement of the exchange is the fact that the actual fall of the franc is due principally to speculation, as speculators take advantage of the favourable opportunities afforded by an improvement in the financial situation of the country. Buying of francs by French capitalists who have exported their capital and now desire to recall it is apparently on a small scale. One of those best acquainted with the French money market, M. Maroni, writes to the *Journal des Débats*: "It is beyond doubt that the buying of francs by foreign markets is still the principal cause of the decline of the £ and the dollar. There have also been sales of bills on French account, but few of these represent a definite transfer of capital back to France." It was only during the second half of last week that sales of foreign exchange were ascertained to have taken place which were not speculative transactions.

French public opinion is extremely gratified at the optimistic view now taken in foreign markets with regard to the future of the French currency. All the same, the fact that the rise of the franc is principally due to

speculation occasions some uneasiness in financial circles. M. Maroni, in a striking article in the *Journal des Débats*, exposes the two-fold danger arising out of the situation produced by the intervention of speculation. When foreign speculators buy francs they leave them on deposit in French banks. The banks either utilise them for the purchase of National Defence Bonds or deposit them on current accounts at the Treasury. Speculators only buy francs to sell them again. Whenever speculators withdraw their money for the purchase of bills, the banks will be forced to withdraw the francs they have placed on current account at the Treasury and to demand repayment of National Defence Bonds. This may create difficulties for the Treasury and provoke a situation favourable to the fall of the franc.

The other danger consists in an excessive rise in the rate of the franc. It is to the interest of speculators to bring this about in order to enable them to buy back at a profit the pounds and dollars they are now selling. The rise of the franc, occasioned and stimulated by speculation, may lead capitalists and the public to sell the bills in their holding. With the help of genuine sales of exchange, speculators would be in a position to aggravate the movement, and the rates of the £ and the dollar might be brought down far below the actual level, to the serious detriment of industry and trade. A crisis might then easily follow which would paralyse export, upset the trade balance, and react unfavourably on public finances. Foreigners, badly impressed, would begin to resell their francs and the French currency would again experience a rapid fall. Consequently the movement for a rise, which is purely speculative in character, bears within it the germs of a reaction in a contrary direction. It must, however, be borne in mind that, thanks to the rising market, the French Government has been able to build up under very favourable conditions an extremely substantial stock of currency, which will enable it to contend against excessive speculation, and particularly against any attempt to provoke a fall of the franc.

At the rate of about Fr.145 to the £, the reduced purchasing power of the franc in France would seem to be in keeping with the lower rate of the gold franc. Does this mean, however, that the rate of the franc is to be fixed at this level? M. Maroni, in the article already referred to, says: "It is a mistake to think that it is enough to reckon the difference between the index number of prices and cost of living in France and the index number of, say, the United States in order to be able to determine mathematically the rate at which the exchange can be fixed. To begin with, statistics only give averages, and the information to be derived from them is far from being accurate. But even admitting it to be accurate, the price level is not the only point to be taken into consideration. What we have got to find out above all is the level of the exchange at which French industries, taking into account the output of the worker and the charges they have to bear, would be able any longer to export their products. It will then be realised that this level is far from corresponding with the level given by certain so-called mathematical calculations."

Anyway, in the opinion of French industrial and commercial circles the level at which the rate of the franc is to be stabilised should not be greatly removed from the level of the average of the prices. If the level appointed for the value of the franc is too high, home prices will soon exceed the world prices, and not only would French exports be greatly reduced, but a premium would be put upon imports. In a recent number of the *Frankfurter Zeitung* it is explained that the rise in the shares of German industrial concerns was brought about by the rise of the franc, which enables the big German industries to compete with French exports in the world markets.

To sum up : first, the political and financial situation in France has greatly improved during the last few months. In the world of politics, the Bordeaux Congress points to a profound change in the drift of the Radical Socialist Party. M. Poincaré enjoys great authority in Parliament and in the country. In the world of finance remarkable progress has been achieved from the point of view of the Budget equilibrium and of the position of the Treasury. This progress was fully explained in the article published in *THE ECONOMIC REVIEW* of October 23. The information published in the course of last week strengthens our conclusions. Thus the Finance Committee of the Chamber has fixed the Budget for 1927, with a surplus of 699 millions (revenue, Fr.39,959 million; expenditure, Fr.39,260 million). The independent Sinking Fund loan produced 3,020 millions, and has made it possible to consolidate National Defence Bonds to the extent of Fr.2,500 million. The total of these Bonds has been reduced to 45,695 millions, 70 per cent. of which are one-year Bonds. However, as we have already explained in this article, the situation cannot be considered as definitively made right and sound from either point of view, either of the Budget or the Treasury. Neither have the whole of the conditions essential to stabilisation been realised, and in particular the question of the interallied debts is far from being finally settled.

Secondly, the rapid rise of the franc is chiefly due to the action of speculators, who take advantage of the improvement in the political and economic situation in France. This rise, which the Government considers to have been too rapid, is however apparently in keeping with its policy. M. Poincaré does not appear to desire rapid stabilisation at about the actual rates, which he does not consider as representing the real value of the franc. The Government refuses to give the least indication as to the rate deemed desirable in order to realise stabilisation.

Thirdly, the fact that the rise of the franc is due to speculation gives rise to some uneasiness. Too rapid a rise and the reselling of francs by speculators may lead to a crisis and to a fall of the franc. It must be remembered, however, that the Government is now in possession of important reserves of currency, and that it is consequently fully equipped to combat speculation and the fall of the franc.

### ECONOMIC CONDITIONS IN CHINA.

A report on the commercial, industrial and economic situation in China by Mr. A. H. George, Acting Commercial Secretary, Shanghai, has just been issued by the Department of Overseas Trade\*. The report bears the date of June 30, 1926, and surveys a period covered by the preceding twelvemonths. In his general remarks upon the situation in China Mr. George reminds us that the last report was made when foreign trade, particularly British and Japanese trade, was in the grip of a comparatively well-organised strike and boycott extending over large areas of the country and involving shipping, industry and commerce alike. However, the past twelvemonths have witnessed a great improvement in these peculiar conditions in so far as north and central China are concerned, though the intensive boycott of everything British continues in the south, particularly at Canton and Swatow, and the losses already incurred by Hongkong firms are very considerable. In this area there is but scant hope of any immediate change in the situation. In Shanghai, where the boycott originated, and in the provinces forming its hinterland, there is considered to be little or no hindrance now to foreign trade from this cause, though labour agitation in local industries, both foreign and Chinese owned, is still rife, resulting in numerous strikes, and there is a very articulate element, particularly among the students, which is always ready to fan the flame of nationalist feeling into practical opposition to foreign commerce

and foreign privileges of all kinds. Britain and Japan, as having the biggest share of the trade and the most powerful vested interests, are the targets of the greater part of this agitation, which consistently ignores the economic welfare of the country itself.

The traditional friendliness of the commercial relations between the British and Chinese still counts for something, but, considers Mr. George, the goodwill and common sense, even the self-interest, of the native trader are apt to be swept aside by the flood of this newly awakened national sentiment which is, on the other hand, powerless to stem the tide of national disintegration. Never before in the brief history of the Republic has the disorganisation of the machinery of government reached such a pitch as it has during the twelvemonths covered in Mr. George's present report. At the moment of writing, there was to all intents and purposes no central administration capable of exercising any degree of control over the provinces, the leading military figures being unable to compose their personal differences sufficiently to agree upon the formation of a cabinet or even a future form of national government. Large areas of China have become virtually independent States under military chieftains constantly at war with one another, and dependent upon subordinate generals whose loyalty can only be commanded so long as there are a sufficient number of lucrative posts to bestow among them. In such circumstances it is only the Chinese genius for local government which saves the country from complete chaos, and it is plain that, as long as these conditions remain, the evils that have hampered foreign trade for years past are only likely to increase.

The imposition of countless forms of local taxation has assumed unprecedented proportions in several provinces, exceeding in some areas the value of the goods themselves. The railways have, almost without exception, become a prey to the militarists, or rather to the subordinate commanders, who, unrestrained by any controlling organisation, habitually use them for the carriage of troops and material without attempting to pay for such service. Moreover, they put up to auction any cars and trucks in surplus of military purposes. The privileges accruing to foreign trade in China under treaty and agreement are everywhere at the mercy of the military leaders, who are scarcely bound by loyalty even to a particular faction, much less to any form of national government, and it is perhaps a matter for congratulation, adds Mr. George, that under these circumstances the results have not been more serious.

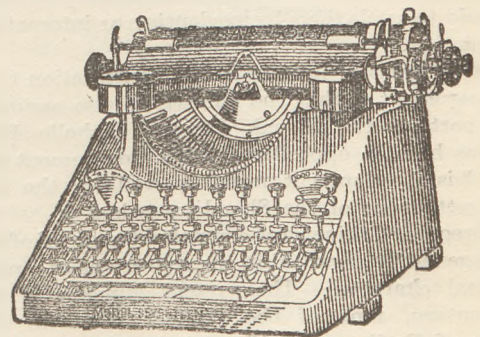
With such a picture in mind, the surprising fact once more remains to be stated that the revenues derived from the legitimate taxation of foreign trade through the Customs administration in 1925 again exceeded all previous records, although the rate of progress was not so great as in recent years. What certain of the main ports of import and export, such as Shanghai, Hankow, Canton and Swatow, lost in revenue owing to local disturbance, was gained by others, such as Tientsin and the Manchurian ports. The question at once arises as to how the foreign trade of China can maintain its level in the face of such adverse conditions. The answer is that, in the first place, the disturbances are mostly local, affecting first one and then another part of the country, but rarely involving the whole country at once, and secondly, that a large proportion of the trade is carried on in and through the so-called treaty ports, where there is comparative stability, largely due to the presence of well-organised foreign settlements. Although only a comparatively small fraction of the total native population of the country resides in these ports, recent expert estimates have put the proportion of foreign imports consumed in them at between 35 and 50 per cent. of the whole. The disturbed condition of the country in recent years has also led not only to the concentration in these areas of most of the modern industrial organisations which import

\* H.M. Stationery Office. Price, 2s. net.

considerable quantities of raw materials, but also of the wealthier classes of Chinese, and there is little doubt that a fair proportion of imported goods go to supply the wants of these classes, since they have accustomed themselves in many respects to foreign modes of life. Finally, it can only be supposed that the present demand for foreign goods is in the nature of an irreducible minimum, which local disorders cannot further affect, and in this connection it is of interest to note that the foreign technical advisers at the Customs conference held in Peking came to the conclusion that only 20 per cent. of the present foreign imports could properly be classed as luxuries. The present state of affairs, however, with vast quantities of native produce for export piled up along the railways, and no security for foreign goods in the interior either in transit or at destination, must necessarily have a depressing influence on the purchasing power of the people, and the presumption is justified that with any improvement in conditions there will be a notable and immediate increase in foreign trade. Just how such an improvement is to be brought about in a country which appears for the time being to be incapable of establishing a reasonably strong central administration is a question which interests the trader as much as the politician, but it is not one which Mr. George ventures to answer in this report.

Mr. George has some interesting remarks to make upon the peculiar part that finance plays in the development of industry in China. At the present moment and under present circumstances the part of finance is not generally appreciated, and the following remarks may be of interest as showing roughly how industrial undertakings are conceived and how the necessary financial arrangements are negotiated. Generally speaking, Chinese promoters know little or nothing of the technical side of the industry they wish to launch. They may have learned from import statistics that there is a good demand for a particular product in a particular locality; possibly they themselves or their friends are engaged in selling imported goods of the same kind. Having conceived the project, they proceed to approach a foreign merchant firm having a technical staff for a preliminary estimate, which gives them some idea of the total capital costs on which they can base their financial arrangements. They may find they can get a promise of sufficient capital among themselves to pay for the imported machinery; buildings and land will be partly financed by shares, and local banks will supply at exorbitant rates of interest the necessary finance for the purchase of raw material and carrying of stocks. The shareholders are well aware of the lack of experience of the promoters, and are correspondingly distrustful. They will advance as little cash as possible at the outset and they like to have proof from actual operation that profits can be made before they will act up to all their promises. The difference between the East and the West is that there are in practice no such things as joint stock companies as the term is understood in England. The whole of the capital required is rarely provided at once, nor can a promise to take up shares be enforced. Even public utility companies are seldom founded on share capital or the security of a particular town, but on money borrowed from banks at rates varying from 12 to 20 per cent., which has to be repaid at every China New Year, the Chinese settling day. The result is that while Chinese industrialists are fully aware of the relative merits of different types of plant and machinery, the question of a low first cost is of paramount importance to them in order to reduce the heavy interest charges, a fact which British manufacturers are sometimes slow to appreciate when their terms are underquoted, as they frequently are, as much as 20 to 25 per cent. It often happens that the only source available for financial facilities is the foreign merchant, and he is requested to finance such undertakings on terms of payment deferred for any period from one to ten years at a rate of interest usually 1 per cent. higher than the bank rate. He may obtain a

mortgage on the machinery he has supplied, but it can rarely be enforced in case of default. In any case he has himself neither the skill nor the organisation to run the concern, nor could he count on the support of the local authorities should he attempt to do so. If he endeavours to hand the business over to another native company, they are likely to drive a hard bargain with him. The manufacturers who supply the plant will only assist to a limited extent, and then solely on a guarantee of payment at a given date. It is hardly to be expected that firms having their head offices thousands of miles away will accept such risks. And so, in order to get the contract, the merchant is driven to undertake to finance the scheme on his own responsibility. He can only do it if he has an experienced staff and if the particular business is small compared to his total turnover. The measure of risk varies, of course, with the nature of the industry, but even a monopoly such as a municipal electricity undertaking in a Chinese city is often at the mercy of local officials who either demand service without payment or seek to raise revenue by interference with the finances of the concern. Only such firms as have long experience of local conditions can hope to assess the risks with any degree of accuracy, and it is not surprising that firms not possessing these qualifications have frequently met with disaster in recent years. Mr. George finds it very difficult to suggest any remedy for this state of affairs. If industrial expansion in China is to be promoted with foreign assistance, it clearly demands, he says, the closest co-operation between manufacturer and merchant, and ability on the part of the latter to strengthen his contracts by casting the net of responsibility as wide as possible and by securing whenever possible the support of reliable Chinese of good financial standing.



Model No. 17.

*Efficient : Durable : Light-running  
Unexcelled by any foreign make.*

*Seven days' free trial.  
Write for particulars.*

Be sure your next machine is a **BAR-LOCK**, and get the best typewriter, while you help British Industry and find work for British craftsmen.

**BAR-LOCK**

THE BRITISH-MADE TYPEWRITER.  
BAR-LOCK (1925) CO.

**BAR-LOCK WORKS, BASFORD, NOTTINGHAM.**

London Agents : **INSOLL & CO., 42, Southwark Street, S.E.1.**

# ECONOMIC SURVEY

(The following Survey is strictly impartial both in content and in selection, and is in no way subject to the influence of Editorial opinion.)

## CZECHOSLOVAKIA

### POLITICAL AND GENERAL

**The New Government.**—On October 12 last the Czechoslovak Ministry was reconstructed under the presidency of M. Svehla, after protracted negotiations to effect a coalition on a wider basis. Commenting on this change the *Prager Presse* of October 13 points out that the new and third Cabinet of M. Svehla is the ninth since the constitution of the Czechoslovak Republic. Compared with other countries the ministerial changes in Czechoslovakia have not been very numerous, a fact that reflects the steadily increasing stability of the country. While previous Cabinets have been formed exclusively from the Czech and Slovak nationalities, the new Ministry includes two representatives of the German minority, which is an event of no small political importance. The change is, in fact, a further step towards national consolidation. That it has become possible to nominate German Ministers is in itself proof that the former antagonisms have been considerably diminished and that the growing mutual understanding is gradually leading to the pursuit of a common purpose. This transition to a concrete policy has received the approval of the main body of the German electors; the change is not merely of benefit to the German section of the Republic, but should also prove of great national consequence, since it eliminates the obstacle to progressive work that would otherwise exist if the Germans were united in opposition. An important feature is that the minority problems will now be referred to the sphere of internal politics, whereas formerly attempts were made to settle them by irredentism or international judgment.

A further point of interest in the construction of the new Government is that the Ministry is also assured of the support of the Slovak Popular Catholic Party, which has been in opposition to the Government since 1921. This development promises well for the satisfactory settlement of the Slovak question.

The foregoing Cabinet was composed largely of officials and was generally regarded in the country as of a purely provisional character. The present Ministry is more Parliamentary, nine of the Cabinet members being members of Parliament. Five of the Ministers retain their former portfolios, this number including Dr. Benesh, the Minister of Foreign Affairs, and Dr. English, the Minister of Finance. The two new German Ministers are Professor Franz Spina, as Minister of Public Works, and Professor Robert Mayr-Harting, as Minister of Justice. The Socialists, who formerly co-operated with the Government, are now in opposition, as a result of the Ministerial reconstruction.

**Important Legislative Measures.**—The present Parliamentary session in Czechoslovakia promises to be one of much importance in respect of financial and general legislation. Apart from the Budget for the financial year 1927, there is the forthcoming Taxation Reform Bill, the object of which is not only to codify the law on this subject but also to reduce the burdens that weigh heavily on the taxpaying community and are a drag on production and enterprise. In the opinion of the *Central European Observer* of October 15 last, this measure is one of far-reaching importance and will probably bring considerable relief to the industries and trade of the country in their present state of depression. Besides a large number of private members' bills, twenty-five Government bills will be submitted to the Chamber of Deputies and eight introduced in the Senate. These relate, among other things, to the housing problem, stabilisation balances, unfair

competition, taxation exemption for new undertakings of outstanding economic importance to the country, old age pensions, reorganisation of the State commercial colleges, abolition of the soldiers' right to vote at Parliamentary elections, capital investment programme for the Army, reorganisation of the jury system, the ratification of commercial and other treaties with several foreign States, copyright law, labour courts, procedure of the civil courts, and Customs tariffs. These measures will be discussed at the outset of the session, while subsequent Bills will be introduced relating to the abolition of the Ministries of Food Supply and Public Health and the transfer of the essential work of these departments to the Ministry of Social Welfare, to housing accommodation for State employees, to an amendment of the Mines Insurance Act, and to clerks' insurance. It will be observed that the programme is composed largely of measures of general social and economic character. The absence of highly contentious political matter should greatly facilitate a smooth working of the new co-operation among the parties now forming the Parliamentary majority, and tend generally to stabilise the division of the legislative Chambers into two main groups representing social and economic interests without regard to racial differences.

The draft of the proposed reform of the taxes has already been issued and submitted to the various corporations throughout the country particularly interested in the measure. The reform is intended not only to unify the laws relating to taxation, but to codify them, to simplify the system of assessment, to reduce the burden of taxation generally and to spread it more equitably over the various classes of taxpayers. A far-reaching amendment of the income tax assessment is proposed. The existing annual minimum of taxable income is raised from C.Kr.6,000 to C.Kr.7,000 with extension, for households where there are numerous children, up to C.Kr.13,000. The scale rises from 1 per cent. to 23 per cent., and represents altogether a reduction of 39 per cent. The general tax on earnings varies from  $\frac{1}{2}$  per cent. to  $4\frac{1}{2}$  per cent. and is assessed roughly on net profits. A reduction of 20 per cent. is allowed where the taxpayer personally participates in the carrying on of the concern taxed. The special tax on earnings is reduced generally from 10 per cent. to 8 per cent. The land tax, hitherto differently assessed in different parts of the country, is made uniform for the whole Republic. The house tax will be slightly reduced. The tax on directors' fees and bonuses will be 10 per cent. Salaries over C.Kr.100,000 per annum will pay a special 3 per cent. on the amount in excess of C.Kr.100,000. An important section of the reform is the restriction placed on the charges and rates imposed by the provinces, the *zupy* (counties), the districts and the parishes. The draft of the measure as issued may undergo some amendment after the bodies interested have submitted their opinions to the Minister of Finance. It is practically certain, however, that the main outlines of the measure will not be changed.

### FINANCE

**The Budget for 1927.**—Dr. English, Minister of Finance, submitted his Budget Bill for the year 1927 to the Czechoslovak Chamber of Deputies on October 14. In his exposé, a full report of which is published in the *Prager Presse* of October 15, Dr. English referred first of all to the new structural features of the Budget, which is now divided into four sections, viz. administrative, State undertakings, accounts between the State and the various provincial autonomous bodies, and the National Debt.



The Budget for the year 1927 is balanced and results in a small surplus of about C.Kr.20.4 mill., the total revenue being C.Kr.9,723,914,485 and the total expenditure C.Kr.9,703,505,151. The figures of the different Ministries and Departments are as follows (in Czechoslovak kronen):—

Estimates.	Expenditure.	Revenue.
President of Republic and President's Office ... ..	16,446,495	2,654,527
Legislative bodies ... ..	39,665,288	202,000
Cabinet Council ... ..	32,904,677	18,545,450
Ministry of Foreign Affairs ...	136,004,660	30,005,000
" " National Defence ...	1,370,000,000	43,716,500
" " the Interior ... ..	554,363,850	7,820,830
" " Justice and Supreme Court ... ..	286,881,280	25,874,833
Items of Ministry of Unification Administrative and Electoral Court ... ..	1,573,693	—
Ministry of Public Instruction ...	4,944,774	64,000
" " Agriculture ... ..	782,382,452	21,190,093
Land Office ... ..	204,600,000	29,224,077
Ministry of Commerce ... ..	26,691,355	27,126,355
" " Public Works ... ..	34,129,038	11,924,860
" " Posts and Telegraphs ...	662,373,549	48,349,620
" " Railways ... ..	15,282,300	15,282,300
" " Social Welfare ... ..	25,978,000	25,978,000
" " Food Supply ... ..	838,204,611	14,730,139
" " Public Health ... ..	10,994,748	580,000
Pensions, etc. ... ..	126,726,606	25,625,386
Ministry of Finance ... ..	620,880,000	86,087,000
General items, Public Treasury ...	483,746,085	7,674,961,030
Supreme Audit Office ... ..	3,424,359,979	1,623,972,455
	4,371,681	—

Compared with the figures of the preceding Budget, expenditure has been reduced by the President of the Republic and the President's Office, by the Ministries of Foreign Affairs, National Defence, the Interior, Justice and Supreme Court, Unification, Agriculture, Social Welfare, Food Supply, and by the Land Office.

The surplus is smaller than it would otherwise be on account of the new structure of the Budget; had the estimates been drawn up on the lines of previous Budgets the surplus would have figured at about C.Kr.557 mill. The present Budget included, for the first time, the whole of the capital investment expenditure, and also had to provide for an additional expenditure of some C.Kr.800 mill., of which C.Kr.450 mill. was for increased pay for State employees, C.Kr.37 mill. for augmented pensions, C.Kr.109 mill. for the consolidation of the pre-war debt, C.Kr.70 mill. for the diminution of the tax on coal, and C.Kr.84 for miscellaneous items.

In analysing the various items of the Budget Dr. English laid stress on some important reductions in expenditure. The item for national defence (but including the outlay on the diplomatic and consular services) had been reduced from one-fifth to but one-seventh of the total expenditure. Social expenditure, that is, of the Ministries of Health and Food Supply and Pensions, accounted for 17 per cent. of the total, while the item for internal political administration (Ministries of the Interior and Justice) demanded approximately 9 per cent. Financial administration and the national debt service required one-third of the total Budget figure. The entire national debt amounted to about C.Kr. 35,000 mill., the interest on which required a further C.Kr.1,900 mill.; amortisation, 600 millions; and administration, 50 millions. The internal debt stood at C.Kr.24,000 mill. and the external debt at C.Kr.6,500 mill., besides a debt of about 4,400 millions accruing from obligations imposed by the Peace Treaty (Czechoslovakia's share of the pre-war debt of the former Austro-Hungarian monarchy). The most burdensome part of the national debt was the floating debt of C.Kr. 4,600 mill. But during the course of 1926 the floating debt had been reduced by approximately C.Kr.1,000 mill., being consolidated at the time of the contracting of the Consolidation Loan. The one-year Treasury bills had proved a difficulty for the Financial Administration, but these had now entirely disappeared. The Ministry of Finance proposed to effect a further consolidation of the floating debt.

With regard to revenue Dr. English showed that the receipts of the State undertakings covered one-eighth

of the entire national revenue; when, however, the fact was taken into consideration that by far the greater portion of these receipts was obtained from the tobacco monopoly and the State lotteries, the receipts of State undertakings appeared of but little significance, since the tobacco monopoly was really a form of consumption tax. The total receipts of the tobacco monopoly and the State lotteries amounted to some C.Kr.1,100 mill., while the receipts of other State undertakings amounted in all to but C.Kr.50 mill. The net revenue of the railways and the Post Office was swallowed up by capital investments. Customs duties should yield about C.Kr. 1,000 mill.; stamp duties and fees, C.Kr.1,600 mill.; and general taxation should produce the remaining 60 per cent. of the total revenue. If the receipts of the tobacco monopoly were added to those of general taxation, the latter item would then correspond to about 70 per cent. of the total national revenue.

Dr. English makes no distinction between direct and indirect taxation. In the first place, science has not, in his opinion, arrived at any definite criterion as to the difference; and secondly, such a classification serves no useful purpose. The situation of the Republic in respect to gold and currency reserves was, he contended, exceedingly satisfactory. He considered that the stability of a currency should not be based upon a system that would undermine the country's capacity to compete successfully in foreign commercial markets. It would be necessary to reform the financial system so as to remove those tributary burdens that weighed far too heavily upon the free development of trade. He believed that Czechoslovakia had now advanced in financial consolidation sufficiently not to fear future developments. The present period might be termed one of financial consolidation; but the completion of this work of consolidation lay not merely with the Government and Parliament. It assumed the active co-operation of the whole nation.

**TRADE**

**Foreign Trade Returns for August.**—The course of Czechoslovakia's commercial exchanges with foreign countries during the month of August was very satisfactory, resulting in a favourable balance of approximately C.Kr.442.7 mill., as against a favourable balance of but C.Kr.8 mill. in August 1925. The total volume of imports was 455,287 tons and 75,791 pieces to an aggregate value of C.Kr.920,101,450, while that of exports was 989,907 tons and 595,938 pieces to a value of C.Kr.1,362,813,562, as against imports valued at C.Kr.1,330,124,479 and exports at C.Kr.1,338,309,430 in August last year. These returns are also a considerable improvement on those of July, when the favourable balance was about C.Kr.170 mill., imports in August having declined by about C.Kr.245.5 mill., while exports showed a notable rise. The general improvement in foreign trade during the past few months is largely due to the continued tendency of a growth of exports.

The total value of goods imported during the first eight months of the present year now amounts to C.Kr. 9,595,429,493 and that of exports to C.Kr.10,605,277,054, as compared with imports at C.Kr.10,322,432,707 and exports at C.Kr.11,735,201,069 during the corresponding period of 1925. The favourable balance for the period January to August this year is therefore approximately C.Kr.1,009.8 mill., which is not so satisfactory as that for the similar period last year, when the export surplus was C.Kr.1,412.7 mill. It is believed, however, that the present tendency towards improvement will continue during the coming months of the year, in which case the balance for the whole year should not be inferior to that of 1925.

**Foreign Competition in Automobiles.**—A visit to the International Automobile Exhibition, which was held in Prague from September 18 to 28, was particularly instructive from two points of view: the capacity of the local industry in relation to the home market, and the

successful competition of French and American manufacturers.

In the native section all the six factories which are in operation in Czechoslovakia exhibited extensively. Although a considerable number of large and high-powered cars were on view, small cars at popular prices preponderated. Prices ranged from about £1,800 to £200, the latter figure representing the bottom limit, at which a locally made run-about can be purchased.

The annual capacity of the home industry is utterly insufficient to cope with the rapidly increasing requirements of the country. The output of motor cars has been computed approximately at 500 in 1920, 600 in 1921, 700 in 1922, 1,500 in 1923, 3,000 in 1924 and 5,000 in 1925; while the production in 1926 is estimated at 4,500 cars. In comparing these figures, however, it should be taken into consideration that in the first two years under review only large and expensive cars were manufactured.

The total requirements of the home market during this period, as evidenced by the sales effected, were about 1,100 cars a year for 1920 to 1922, 2,000 for 1923, 4,000 for 1924 and 7,000 for 1925; the figure for 1926 is estimated at 9,000.

The difference between the local production and requirements was made up by imports, for which the following figures may serve as a guide: in 1920, 700 cars, with a declining tendency up to the end of 1923 when the figure for the year was 400 cars; in 1924, 1,200 cars; in 1925, 2,200; and in 1926, 5,000 cars (estimated).

Czechoslovakia may therefore be classed as a good and growing market for motor cars. This position is not likely to experience any appreciable change in the near future, as the local works are limited to a comparatively small output, and there are at present no facilities for serial manufacture on a large scale. The reorganisation of the industry would necessarily take a few years and involve a large capital expenditure which, in the opinion of the manufacturers, would only be warranted if an outlet for the surplus production could be assured abroad. The export figures, however, are not very encouraging up to the present: 13 cars in 1924, 138 in 1925, and 39 in the first half of 1926.

In these circumstances it is not astonishing that foreign motor cars were well represented at the recent show. There were on view 28 different French makes, each comprising several models, 24 American, 5 Italian, 2 British, 2 Austrian, one Belgian and one German make. An interesting feature of the American exhibit was the absence of cheap types, all the models being of a high standard.

The small share of British manufacturers in the motor car trade in this country has been repeatedly commented upon. It is perhaps worth mentioning that there is an entirely unfounded notion abroad that, however excellent British cars may be for use on first-class roads, such as are the rule in England, their construction makes them unsuitable for Continental communications. In this connection we would refer to an article recently published in a Berlin daily newspaper, the author of which claims intimate knowledge of British and Continental motor car construction, with particular reference to road conditions. According to his account, every experienced British motorist gives the Continental purchaser of a British car the advice to leave it behind when going to the Continent, because a month's wear and tear on Continental roads is equal to twelve months' depreciation on English roads; or to take along a full set of spares, because the number of parts of a British car worn out by the bad roads is astonishingly large.

The fact that British cars have stood the test, not only in England but in the Colonies and elsewhere, under the most trying conditions need not be stressed. Users of British cars all over the world testify to their excellence, and rarely, if ever, buy any other. At the same time, the pernicious effect of such statements

as quoted above should not be underrated, particularly since they are reprinted by a number of newspapers in various countries, and thus obtain a wide circulation. The British Motor Car Trade can easily prove that the contention put forward is wrong, and, in our opinion, this should be done without delay. (*Czechoslovak Market*, September.)

## INDUSTRY

**The Sugar Cartel.**—The decontrol of the selling price of sugar in the home market as from October 1 has led to the conclusion of a cartel agreement for an initial period of one year. The practice of fixing the prices of the various qualities for the whole territory of the Republic will be continued; but in future the cartel, acting in agreement with the Government, will be the competent authority. The task of fixing the prices will lie with a committee on which the raw sugar factories and the refineries are to be represented by an equal number of members. A common committee, consisting of 12 representatives of the raw sugar factories and 12 representatives of the refineries, will decide the quantities of sugar to be released for the home market.

The contingent for the refineries and mixed factories, in which raw sugar is made and then refined, in Bohemia, Moravia and Silesia, has been fixed at 2,842,913 quintals; while the contingent for the factories in Slovakia is being assessed on the basis of their sales in the home market from October 1, 1925, to September 30, 1926. The new contingent will amount to 120 per cent. of this quantity.

The raw sugar factories and those mixed factories which must supply the refinery contingent in Bohemia, Moravia and Silesia have a total contingent of 3,240,921 quintals. This quantity has been fixed on the basis of the production in the season 1925-26, and it is being apportioned among the various factories in accordance with their actual production during this period. While the refinery contingent remains unaltered when compared with last season, the raw sugar contingent will show certain discrepancies in the distribution among the factories, though the total quantity will hardly be affected.

No decision has as yet been taken with regard to a uniform selling price of sugar for home consumption. In this respect the new increase in the tax on sugar sold in Czechoslovakia, which takes effect on October 1, 1926, will be the decisive factor. No change in the local sugar trade will take place through the advent of the cartel. Prices in Czechoslovakia are bound to rise for at least one year, owing to the supplementary taxation. Export prices, of course, will be in no way affected; but the firmer tendency in the world markets which has set in recently is expected to exercise a stimulating effect on the value of sugar exports. (*Czechoslovak Market*, September.)

# The Czechoslovak Market

*A Monthly Review*

Published on the 1st of  
Every Month.

Publishing Offices: 25, Havlickovo nam. Prague II.  
Annual Subscription, including postage, 10/-.  
Advertisement Rates on application.

## ESTONIA

### POLITICAL AND GENERAL

**Economic Bulletin of the Bank of Estonia.**—The Bank of Estonia (Eesti Pank) has issued a Bulletin containing information regarding the economic and financial development of Estonia, and will continue to issue such bulletins periodically in future. The Estonian Consul General in London publishes a short summary of the first issue in his *Fortnightly Bulletin* (Oct. 1), according to which general business has developed in Estonia on a perceptibly larger scale in the course of the first seven months of the current year than in the three preceding ones. For the first time in the seven years of Estonia's independent economic life the trade balance for the first seven months has shown an excess of exports over imports, to the value of Emk.202 mill. Industry has been very active and in June the number of working hours was 16.3 per cent. higher than in the preceding month and 13.6 per cent. higher than in the corresponding month of last year. The number of unemployed diminished by 42.9 per cent. in June, being 43.5 per cent. less than in the same month of 1925. Owing to the increased earnings of farmers and workmen, deposits with the Joint Stock banks developed favourably, showing an advance of 13.6 per cent. during the first half-year and 44.9 per cent. since June 1925. The greater abundance of money enabled the Bank to meet the demands for loans so far as current commercial credits were concerned, whereby the proportion between liquid loans and investments has noticeably improved. In respect of the easier tone pervading the money market the amount of protested bills fell by 31.3 per cent. during July and by 21.3 per cent. as compared with the corresponding month last year.

The State financial year closed with a surplus of Emk. 33 mill. on the revenue side. The receipts for each month of this year are in excess of those for the corresponding months in the previous year. The cost of living fluctuated between 139.6 and 140.7 and in June fell from 140.7 to 140.3.

The improvement in the balance of trade may be considered as a direct result of increased production and of the resultant increase in the export of such products as Estonia is peculiarly fitted to provide. In agriculture as well as in industry a tendency has been noticed for some years past towards a fuller exploitation of the country's productive powers, and although this end is as yet far from being attained, the results of the attempt have already become apparent in the trade balance for 1925.

The timber industry was favoured by weather conditions during the winter months, which facilitated the cutting and transporting of timber to the sawmills, 34.9 per cent. more working hours being required for the working of the mills as compared with the year before. The establishment of timber prices on a steady basis was favourable to good sales, which were, however, hampered later on by the British coal strike, which resulted in a shortage of tonnage for shipments to England. Exporters were assisted by the opening of short term credits for foreign purchasers, the total sum of such advances to the Estonian timber industry amounting to about £250,000. Exports of boards increased by 30 per cent., props and beams by 70 per cent., matchwood by 22 per cent., and the total value of timber exported by 32 per cent.

The leather industry towards the end of 1925 commenced to execute orders received from Soviet Russia, and began even at that time to work intensively. Exports of dressed skins increased in the first half-year to 354 tons valued at Emk.148 mill. as compared with 3.6 tons representing Emk.1.1 mill. in the corresponding period last year.

The textile industry has also increased its activities. The number of working hours in the period January to June reached 8,185,100 as compared with 7,703,500 hours during the corresponding months of 1925. The

advance in the working of the textile industry is attributable in part to the increased demand in the domestic market, while foreign purchases have declined a little. The modernisation of the plant is shown by the fact that the Kraenholm cotton factory has established dye-works specially for the dyeing of yarn manufactured in the factory.

Under the foodstuffs export group, dairy and meat products are the most notable. The value of bacon exported in the half-year ended June 30 totals Emk. 99.7 mill. as compared with Emk.53.4 mill. during the first six months of last year, or an increase of 85 per cent. The quantity of bacon exported during the same period amounts to 613.5 tons, exceeding the quantity exported during the whole of 1925, viz. 426.3 tons. British purchases for this period were also in excess of those effected during the past year, amounting to 558.1 tons to the value of Emk.90.4 mill. as compared with 424.7 tons in 1925.

The money market, with normal demands for credit, continues very quiet, on account of the scarcity of business usual at this time of the year and the abundant supply of foreign money consequent upon brisk export activities. Deposits with Joint Stock banks during the first four months of the year increased by 5.5 per cent. and during the half-year by 13.6 per cent. At the end of last year deposits totalled Emk.1,898.4 mill. as compared with Emk.1,445.8 mill. at the end of 1924, but on July 1 they amounted to Emk.2,157.8 mill. as compared with Emk.1,489.4 mill. on the corresponding date of last year, showing an increase of Emk.259.4 mill. as compared with Emk.43.6 mill. a year ago. The increase in deposits is a further proof of the accumulation of capital which is going on in the country, and evidences the growing confidence in the banks and the stability of the currency. The present increase in deposits may be looked upon as the recommencement of the pre-war accumulation of national savings in Estonia, which was very remarkable for a population of about one million. At the beginning of the war the funds owned by the population in the form of deposits and securities, calculated in gold, amounted to a round sum of 115 million dollars.

Loans granted by the banks, aggregating on June 30, 1926, Emk.3,650.7 mill., had expanded by Emk.338.9 mill. or 10.2 per cent. as compared with the beginning of the year. The excess of loans on the corresponding date last year reached Emk.236.8 mill. or 9 per cent., i.e. about 100 mill. less, chiefly due to a smaller increase in deposits.

The activities of the Bank of Estonia during the first seven months of the year have developed more favourably than in the previous year. The reserve fund of the Bank, which by subsequent allocations from the net profits was brought up to Emk.207.9 mill. last year, has increased to Emk.250 mill., thus reaching the amount of the paid up capital. Deposits rose from Emk.4,681 mill. to Emk.4,763.2 mill., i.e. by Emk.82.1 mill., while the circulation of bank-notes fell from Emk.1,899.9 mill. to Emk.1,841.6 mill.

### FINANCE

**Reduction of the Discount Rate.**—The Bank of Estonia has decided upon the reduction of the discount rates as from October 1 as follows: on bills of exchange of not over 90 days to 8 per cent. per annum, on bills for 91 days to 8½ per cent., and for loans on current account to 9 per cent. The corresponding former rates, 10 per cent., 10½ per cent. and 10½ per cent., had been in operation since July 1925. In connection with the reduction of the discount rates the Bank of Estonia has reduced the interest on current accounts for private banks from 3 per cent. to 2 per cent., on current accounts of private persons from 4 per cent. to 3 per cent., on six months deposits from 6 per cent. to 5 per cent., and on deposits of over six months from 7 per cent. to 6 per cent. per annum. (*Estonian Consul General's Fortnightly Bulletin*, Oct. 1.)

The reduction of the discount rate has been favourably received by the Press, and has given general satisfaction throughout the country. The general rejoicing is not surprising in view of the fact that 60 per cent. of the population is directly interested in the reduction. The greatest force in Estonia, the farmer, is in a privileged position, as he can get credit at 6 per cent., and a reduction thus became a necessity for the rest. Under closer examination, however, the situation appears in another light. The obvious motive for the measure was the example set by the Bank of Latvia. Now, says the *Revaler Bote* (Sept. 30), it is a well-known fact than in all its economic measures, whether right or wrong, Latvia is invariably a year behind Estonia. The Bank of Latvia is at the point of development at which Estonia found herself in 1923 and 1924. If she has now followed a different policy by reducing her discount rate in spite of capital and credit shortage instead of raising it, such a step should not serve as an example for Estonia. The Bank of Estonia would have done better to look further for her example, for instance to Germany, where the discount rate at the beginning of the rationalisation period was left to develop naturally and reached giddy heights. The trouble does not lie in the high level of the discount rate, but in the shortage of capital, and this trouble must be cured.

From the standpoint of capital the reduction of the discount rate is a false step, which only aggravates the difficulties of the present situation. The Bank of Estonia works exclusively with State capital. If the State were to-day to demand even a small reimbursement, the Bank could not pay. At the same time the Administration declares that the Bank is autonomous and independent of the State. The reduction of the discount rate afforded an unpleasant surprise to the Finance Minister, as the Bank has chosen a moment when negotiations are pending for a foreign loan and the Estonian monetary system is in process of reorganisation, so that the Minister's financial policy has been considerably disturbed by the measure.

The opinion of the expert called out from England to advise the Bank of Estonia was not asked. The expert has been called in as a consultant doctor, whose chief task is to effect the recovery of the Bank of Estonia. His treatment, however, is not likely to be successful while the patient sets to work to treat himself and acts "autonomously" without asking advice.

**Proposed Customs Union with Latvia.**—The Estonian proposal concerning a Latvian-Estonian Customs Union was handed to the Latvian Minister of Foreign Affairs, M. Ulmanis, on September 13 by the representative of the Estonian Minister of Foreign Affairs, M. Tofer. The Note is to the effect that Estonia is prepared to conclude a Customs Union subject to fulfilment of the following conditions: (1) The working out of a mutual Customs tariff is to be started and brought to completion. This Customs tariff is then to be put into effect. (2) The law in regard to Customs in the two States is to be made uniform, as well as all legislation in regard to State monopolies and Excise. Taxation legislation affecting industry and commerce in both States is also to be placed on a common basis. (3) Transport tariffs and legislation for the protection of labour in both States must similarly be placed on the same footing.

A period of three years is fixed for the completion of these processes and this period can only be extended with the consent of both Governments. If these conditions are carried out the frontier between Estonia and Latvia will be opened for all goods, irrespective of their origin. Latvia's and Estonia's revenue from their Customs will be credited to both countries and divided according to the number of inhabitants in each State. As the preliminary labours in respect of the Customs Union are likely to take a considerable time, the Estonian Government proposes to institute negotiations for a temporary trade agreement in order to

regulate the commercial relations between the two States in the meantime. Although no official statement has yet been made, the opinion prevails in Latvia that this proposal will constitute a satisfactory basis for the regulation of economic relations between the two countries. (*Revaler Bote*, Oct. 16.)

## TRADE

**Foreign Trade Returns for July and August.**—The foreign trade returns for July were very satisfactory. Imports reached 36,599 tons of an estimated value of Emk.831.2 mill., while exports aggregated 50,190 tons valued at Emk.914.8 mill., the excess of exports for July being Emk.83 mill. and the export surplus for the first seven months of the year Emk.202 mill. The chief articles of export consisted of dairy produce (Emk.363.5 mill.), timber (Emk.234.7 mill.), textiles (Emk.97.8 mill.), leather and leather goods (Emk.63.0 mill.), cement (Emk.57.1 mill.), and paper (Emk.31.6 mill.). Imports consisted chiefly of cereals and flour (Emk.103.5 mill.), other foodstuffs (Emk.163 mill.), cotton (Emk.87.1 mill.), and machines (Emk.63.0 mill.). The preliminary figures of the Estonian Central Statistical Bureau show a surplus of exports over imports to the value of Emk.88.7 mill. for the month of August, the total value of imports in that month being Emk.872,125,780 and that of exports Emk.960,870,290. (*Economic Bulletin of the Bank of Estonia and Estonian Consul General's Fortnightly Bulletin*, Oct. 1.)

**Trade with Great Britain in 1925.**—The total value of imports from the United Kingdom in 1925 amounted to Emk.1,184.4 mill. or 12.2 per cent. of the total value of Estonian imports, as compared with Emk.1,147.2 mill. or 14 per cent. in 1924. The following table shows the value of the imports from the United Kingdom in millions of Estmarks, and also the proportion of these to the total imports of various classes of goods:—

		Per cent.
Total imports	1,184.4	12.2
Wheat	209.6	53.8
Herring	141.4	43.8
Coal	132.3	55.5
Engines, machinery, electrical appliances, etc.	99.2	14.0
Cotton goods	84.1	26.2
Cotton, raw	73.9	4.4
Wool, raw	53.1	51.5
Jute	44.9	76.1
Woollen materials	32.6	22.1
Cotton yarn	23.1	40.9
Bicycles and other vehicles	14.7	15.8

The total value of Estonian exports to the United Kingdom in 1925 amounted to Emk.2,412.7 mill. or 25 per cent. of the total Estonian exports, as compared with Emk.2,632.8 mill. or 33.5 per cent. in 1924. The following table shows the value of the exports to the United Kingdom in millions of Estmarks, and also the proportion of these to the total exports of various classes of goods:—

		Per cent.
Total exports	2,412.7	25.0
Red and white sawn goods	753.8	75.1
Butter	396.8	18.6
Plywood and plywood articles	347.6	78.0
Flax	340.4	26.5
Props	139.0	83.8
Bacon	74.4	99.5
Eggs	64.8	42.9
Matches	71.7	61.1
Cotton goods	37.3	3.8
Canvas	32.1	33.9
Joinery and turnery goods	22.8	81.3

(*Estonian Consul General's Fortnightly Bulletin*, No. 70.)

**Commercial Relations with Russia and Germany.**—Various indications have recently been apparent of the growing influence of Soviet Russia on the Estonian market. Russia exports to Estonia chiefly rye and various oils, and thereby encounters competition mainly from the United States and Poland. So far as the

Russian grain export is concerned, it may be affirmed that Russia sells grain to Estonia at lower prices than to Western Europe. A report from Narva states that the Russians have erected a large warehouse there for the storing of rye, oil and sugar. A Russian trading ship is shortly expected in Reval with a shipment of 3,500 tons of petroleum and benzine from the Black Sea destined for the Naphtha Syndicate established there. These reports point to increased activity on the part of the Russians in respect of Estonia, which is not without symptomatic importance. The quantities of rye and oil sold to Estonia are but small items to Russia, and any losses incurred in selling them below the universal price are more than compensated by the strengthening of economic influence in Estonia, which is of particular value to Russia. The flooding of Estonia with cheap goods is likely to disorganise the market and bring about a panic which may prove most harmful to the country. In any case great attention should be paid to the future activities of the Russian trade representative, which, according to *Kaja*, are not subject to tax.

According to the statistics available, Germany's share in Estonia's imports amounted to 36 per cent. in 1924 and to only 29.5 per cent. in 1925. This drop is accounted for by the granting of credit on more favourable terms by other countries, and there is no doubt that the relations between the two countries are suffering from the absence of a regular commercial agreement. There are, however, many difficulties in the way of concluding such an agreement. Although Estonia is a very sparsely populated country, there are tremendous obstacles in the way of obtaining a domiciliary permit, and the expropriation of land has not made matters any easier. Every effort is being made from the German side to overcome the difficulties and arrive at a working commercial understanding, but Estonia is of opinion that the conclusion of a treaty on most favoured nation lines with Germany would be in Estonia's disfavour, as no preferential treatment has yet been accorded by Germany to any other country in respect of those goods which she would be likely to import from that country. Butter, textile goods and cement would be the chief articles concerned. In exporting these goods to Germany Estonia would gain Emk.20 mill. in a year, whereas she would lose over Emk.50 mill. in Customs revenue on German import goods. This dead loss would have to be made good by means of special preferential rates. Germany, however, is extremely loth to grant exceptional preferences, as she would be forced to apply them to other States, such as France and Hungary. Negotiations are already pending with Germany on this subject. (*Revaler Bote*, Oct. 8, 14; *Hamburger Fremdenblatt*, Oct. 13.)

## FRANCE

### GENERAL AND FINANCIAL

**The Budget.**—The Finance Committee of the Chamber has already voted the Budget without having introduced in it any important modifications. Its equilibrium is still better assured since the surplus of revenue after very careful calculation amounts to about 700 millions, which is even more than was foreseen in the original draft submitted by M. Poincaré. The Budget figures are now as follows:—

Revenue	... ..	Fr.39,950 million
Expenditure	... ..	39,260 ..
Surplus	... ..	Fr.699 million

It must also be remembered that beyond the Budget figures there are still about Fr.6,700 million of receipts, specially allocated to debt redemption and to operations in connection with the floating debt. In his speech before the Finance Committee M. Poincaré laid stress once more on the necessity of redeeming the public debt not in small instalments but in a "massive" way. Touching the problem of debt redemption, M. Poincaré pointed out that the amounts of Treasury Bonds maturing in 1927 amount to only 5,100 millions. As previously pointed out in this column, the maturing indebtedness, which in 1925-26 was the principal cause of inflation, includes next year a sum of 3,000 millions falling due on February 1, and some 4,300 millions falling due on September 25, or a total of Fr.7,300 million. The former repayment is "optional," in other words the holders of this series of Bonds who want repayment of their Bonds must deposit them with the Treasury three months before they mature; those not so deposited will be automatically extended. In his statements before the Finance Committee M. Poincaré disclosed the fact that only 800 millions of the February Bonds have been lodged with a view to repayment, which is a much smaller proportion than on previous occasions. As to the September Bonds, the full amount will be met by the Treasury, but measures are to be taken to convert them.

In this connection, it may be pointed out as characteristic of the altered situation that whereas in the preceding year the Press had much to say about these maturing liabilities, while information as to the amount of the demands for repayment was awaited with considerable anxiety, in the present instance the matter has attracted no public attention whatever. The same must be said of the discussions of the Finance Committee. It will be remembered that formerly these debates were every day commented on by the Press, and that the rate of exchange always reflected Press opinion. This absence of comment is very characteristic of the present atmosphere in France.

M. Poincaré, speaking before the Finance Committee of the Chamber on the value of the franc, declared that stabilisation was absolutely indispensable. But, according to him, stabilisation could only be accomplished after the work of recovery ("redressement") had been achieved, and complete recovery, in his opinion, has not yet been attained. In Bourse quarters it has been reported that it is the intention of the Government to pursue the steady recovery of the franc up to 125, and many people see in M. Poincaré's declamation a proof of this tendency.

The Treasury and the Bank of France continue to buy foreign exchange, and although M. Poincaré has refused to say what financial resources the Government is utilising for the purpose, it is generally supposed, as mentioned last week, that these are supplied by an afflux of deposits at the Treasury and by subscriptions to Treasury bills. But the financial Press points out that as these resources belong chiefly to sellers of foreign exchange, they may be withdrawn from the Treasury if the tendency of the exchange rate becomes inverse. On the other hand, a great deal is heard of the influence of

### "The Central European Observer"

A WEEKLY REVIEW OF POLITICS, FINANCE  
AND COMMERCE.

The Central European Observer supplies up-to-date and reliable information on Central Europe. It contains valuable reports on all business matters and assists in promoting mutual trade relations.

Annual Subscription, 10s. post free.

Specimen Copies and Advertisement Rates sent post free on application to—

"The Central European Observer,"

Prague XII., Fochova 62,

Czechoslovakia.

the rise in the value of the franc on French exports, which is beginning to make itself felt.

## TRADE

**Imports of Russian Coal into France.**—The *Journal de la Marine Marchande* (No. 391) reports that the increase in the imports of Russian anthracite (via Rouen) is becoming very important. The anthracite is of good quality, and often approximates to the best quality of English anthracite; the cargoes are certainly much better than those landed last year, when the anthracite was not homogeneous, and contained too much sulphur and not sufficient volatile matter. As far as price is concerned, the Russian anthracite competes successfully with the German kind, the original price having been fixed on the basis of Swansea quotations before the strike.

The Russian coal is being sold by a private firm, which has instructions to proceed with great caution in offering only quantities which are capable of being absorbed by the local demand and diverting the excess to other countries. It is reported that the Russian authorities have decided to increase and even double the actual output of coal in the Donetz basin.

Now that France is suffering from shortage of coal, notwithstanding increased imports from Germany and Poland, the question is being mooted of organising coal imports even from the United States. Russia, therefore, is also trying to take advantage of the English strike and establish solid relations in the French coal market. It must be remembered that France is largely a coal importing country, its consumption being roughly 75 millions of tons as compared with a home output of about 50 million tons (exclusive of the Sarre Territory). As a sign of the coal shortage in France it may be mentioned that the Government has been obliged to increase the proportion of preference deliveries of coal to the public utility works from 30 to 40 per cent. of the total output of the home mines.

## INDUSTRY

**The Iron and Steel Industry in September.**—On October 1 last there were 153 blast furnaces in operation, 30 furnaces were ready to work and 34 in course of construction or undergoing repairs. The output of pig iron in September was 785,070 tons (or a daily average of 26,160 tons) as against 813,503 tons (or a daily average of 25,600 tons) in August, made up as follows (in thousands of tons):—

Thomas Gilchrist.	Foundry iron.	Conversion pig.	Special iron.	Bessemer pig.	Total pig iron.
585	151	36	11	2	785

The pig iron output during the first nine months of 1926 as compared with the corresponding period of 1925 was as follows (in thousands of tons):—

Thomas Gilchrist.	Foundry iron.	Con- version pig.	Special iron.	Bes- semer pig.	Total pig iron.	Average monthly output.	
1926	5,157	1,347	296	150	15	6,960	773
1925	4,559	1,189	292	167	37	6,244	694

It will be seen from these figures that, notwithstanding a decrease in the production of Bessemer pig and special iron, the pig iron output continues to show on the whole great progress, the increase being about 11.5 per cent. in excess of that for the corresponding period last year.

The production of crude steel in September was 706,126 tons (693,854 tons in ingots and 12,274 tons in foundry steel) or a daily average of 23,530 tons, as against 704,747 tons in August (692,384 tons in ingots and 12,063 tons in foundry steel) or a daily average of 22,700 tons, made up as follows (in thousands of tons):—

Thomas Gilchrist.	Open hearth.	Electric steel.	Bessemer steel.	Crucible cast steel.	Total crude steel.
493	199	8	5	1	706

The production of crude steel during the first nine months of 1926 as compared with the corresponding period of 1925 is shown in the following statement (in thousands of tons):—

	Thomas Gilchrist.	Open hearth.	Electric steel.	Bes- semer steel.	Crucible cast steel.	Total crude steel.	Average monthly production.
1926	4,276	1,799	60	44	10	6,189	689
1925	3,788	1,528	54	62	9	5,441	605

It will be seen from these figures that the increase in steel production, viz. 14 per cent., was even higher than that of iron. This year therefore has been extremely favourable to France as the result of the quota of production fixed under the international steel cartel.

## GERMANY

### FINANCIAL AND GENERAL

**Buying Power and Price Formation.**—Apart from thermometric indications, the conferences of the Reichstag Committee for Social Affairs and the Reich Cabinet itself with regard to the labour providing programme and the unemployment problem show plainly that winter is at the door. Although the number of unemployed has fallen from the February maximum of 2,058,000 by over 660,000 to 1,395,000, the return of the seasonal workers from agricultural pursuits is slackening the rate at which the labour market has been re-absorbing the out-of-works since the spring and the burden is again becoming a heavy one.

There is, moreover, the problem of the average and small industrial concerns which still form the backbone of German industry and have not been able to provide themselves with foreign credits, and for which capital for new departures has been conspicuous by its absence. It has been proved that while the shares of the big concerns and loans carrying a high rate of interest are very easy to place, the issue of shares in small concerns comes up against well-nigh insurmountable obstacles, whereas the average small businesses which are not carried on in the form of a company are received with even less favour.

Dr. Curtius in his recent speech in the Reichstag Committee for Social Affairs, while asserting that the German economic crisis had touched bottom and was now on the upward trend, declared that the present economic situation was far from being a favourable one, basing his statement on the fact that the buying power of wide masses of the population in Germany, including the middle class, particularly in agriculture, has been seriously reduced, and also on the heavy burden of unemployment.

In his statement Dr. Curtius touched on the national weakness of the German economic system, reduced buying power. The appeal recently made against the fettering of international trade has been illustrated by the map of Europe reproduced in the *Hamburger Fremdenblatt*, and displayed at the Bank of England, which demonstrates the evils of the high walls of protective duties erected round the States of Central and Eastern Europe, which are spreading so fast to the West. The policy of protective duties in Central European countries is hindering to an unreasonable extent the economic recovery of the world. The vast armies of unemployed in the industrial countries of Europe are the direct result of this policy, and it is obvious how great would be the improvement of general conditions if all Europe were transformed into a uniform market, whose buying power would most certainly be greater than that of the present split-up individual markets. There are, no doubt, gigantic difficulties in the way of a European Customs union, but none of those who have come to see the necessity of the Customs union imagine that great schemes can be worked out with a turn of the hand, least of all such as involve a reversal of the economic policy of the world. The aim of the movement is to increase the receptivity of the internal European market and this can only be brought about by the constitution of free market conditions.

The endeavours towards international trust formation will not alter the situation. This movement is really due

to reduced consumption. It is an effort to accommodate production by means of rationing to diminished sales and reduced prices. In deadly fear of competition the remaining sales are rationed in a manner suited to the works participating, but in no way serviceable to the consumer. However welcome the steel pact may be from a political standpoint, it will have the effect of raising prices in Germany and thereby reducing her power of competition in the world market as far as her working-up industries are concerned. Thus is a short-sighted policy followed to-day in world economics.

The justification of economic reforms is afforded only through increased consumption. This in its turn is the expression of the price movement. Rationalisation is desired because it revives production, but rationalisation must first be expressed in a reduction of prices, or it is based upon the supposition of an extension of markets. Any price policy, however, which is built up on the reduction of wages and does not promote home consumption can never tend to the development of the productive forces of industry.

If to-day inter-European endeavours are to be directed towards the formation of extended internal markets (and that is the sense of the London Appeal and the Manifesto of the International Chamber of Commerce), and if buying power can only be increased at the present moment by cheapening production, the structure of national production must not put obstacles in the way by showing price-increasing tendencies. (*Hamburger Fremdenblatt*, Oct. 23.)

**TRADE**

**Foreign Trade Returns for September.**—The improvement in the balance of trade, which, leaving out of account gold and silver, shows a small export surplus, is entirely due to a sharp drop in the import of foodstuffs. The balance of trade in the export industry has nevertheless further depreciated, and only shows for September an export surplus of Rmk.156 mill. as compared with Rmk.196.5 mill. in August and Rmk. 211.8 mill. in July. The balances for foodstuffs (exclusive of oils and fats which are reckoned in the balance of the oil industry), fuel (including mineral oils) and the export industry are shown in the following table (in millions of marks):—

	June.	July.	August.	September.
Foodstuffs ...	— 265.8	— 384.3	— 365.9	— 236.5
Fuel ...	+ 43.7	+ 64.8	+ 83.6	+ 93.5
Export industries	+ 188.9	+ 211.8	+ 196.5	+ 156.0
<b>Total ...</b>	<b>— 33.2</b>	<b>— 107.7</b>	<b>— 85.8</b>	<b>+ 13.0</b>

The following table gives the official classification of imports and exports for the past three months and for the first nine months of the year, (a) present value, (b) pre-war value (in millions of Reichsmarks):—

		Total trade.	Foodstuffs and beverages.	Raw materials and semi-manufactured goods.	Manufactured goods.	Gold and silver.
July	(a) ...	935.90	404.14	411.85	103.95	6.94
	(b) ...	743.00	291.78	349.47	86.46	6.47
August	(a) ...	971.27	383.61	420.55	103.46	51.54
	(b) ...	794.45	284.85	357.86	88.51	50.69
Sept.	(a) ...	930.44	255.89	438.30	114.79	107.02
	(b) ...	787.10	202.29	366.93	96.83	106.13
Jan. to Sept.	(a) ...	7,206.93	2,577.82	3,377.65	884.80	306.22
	(b) ...	5,783.42	1,909.50	2,789.13	705.19	302.57
<i>Exports.</i>						
July	(a) ...	823.19	22.88	215.79	581.86	1.91
	(b) ...	635.64	19.48	183.03	430.60	1.88
August	(a) ...	836.01	26.30	235.35	571.78	2.51
	(b) ...	637.30	20.01	190.14	422.33	2.58
Sept.	(a) ...	839.88	28.95	224.18	582.45	3.51
	(b) ...	640.53	24.59	182.87	429.19	3.62
Jan. to Sept.	(a) ...	7,289.24	320.74	1,680.02	5,250.86	29.69
	(b) ...	5,515.09	271.89	1,405.86	3,804.73	29.24

*Balance.*

July	(a)	— 112.71	— 381.26	— 106.06	+ 477.90	— 5.03
	(b)	— 107.36	— 272.25	— 166.44	+ 344.14	— 4.59
August	(a)	— 134.80	— 357.51	— 185.20	+ 468.32	— 49.03
	(b)	— 157.15	— 264.84	— 167.72	+ 333.82	— 48.16
Sept.	(a)	— 90.50	— 226.94	— 214.12	+ 467.68	—103.51
	(b)	— 145.57	— 177.70	— 184.11	+ 332.36	—102.51
Jan. to Sept.	(a)	+ 82.2	—2,257.08	—1,697.63	+4,366.06	—276.53
	(b)	— 268.23	—1,638.11	—1,385.27	+3,099.54	—273.33

The high gold import consists for the greater part of a gold deposit withdrawn from abroad by the Reichsbank as in the previous month. It is not just, however, to include such a withdrawal in the balance of trade, as no equivalent for it goes abroad.

In the foodstuff imports group, the import of grain has greatly fallen off; that of wheat from Rmk.93.9 mill. to Rmk.40 mill., that of barley from Rmk.30.8 mill. to Rmk.18.4 mill., that of oats from Rmk.11.8 mill. to Rmk.1.1 mill., and that of maize from Rmk.15.1 mill. to Rmk.5.0 mill. The import of rice fell from Rmk.11.5 mill. to Rmk.2.9 mill. and that of coffee from Rmk.19.8 mill. to Rmk.13.8 mill.

The balance of trade in the fuel group shows an even more favourable development in September than in August, although exports of hard coal dropped from Rmk.90.1 mill. to Rmk.79.8 mill. The improvement is chiefly due to the reduction in mineral oil imports from Rmk.22.1 mill. to Rmk.12.9 mill. and to the increase in the export of coke from Rmk.14.9 mill. to Rmk.22.2 mill.

No definite tendency towards general improvement or the reverse has occurred in the balance of trade of the various industries. As shown in the following table they have improved in some cases and deteriorated in others:—

	1923.		1926.	
	Monthly average.	July.	August.	Sept.
Cotton industry ...	— 21.5	+ 7.6	+ 1.6	— 16.8
Wool industry ...	— 13.6	— 31.6	— 1.6	— 3.3
Silk industry ...	— 5.3	— 5.8	+ 4.3	— 1.5
Other textile industries	— 8.3	+ 0.4	+ 1.9	— 1.2
Ready-made clothing industry ...	+ 9.3	+ 5.5	+ 9.9	+ 13.0
<b>Textile industry ...</b>	<b>— 39.4</b>	<b>— 12.3</b>	<b>+ 5.5</b>	<b>— 9.8</b>
Iron industry ...	+ 85.0	+ 99.3	+ 92.3	+ 82.8
Copper industry ...	— 10.4	+ 2.4	— 2.8	— 3.9
Other metal industries	— 2.0	— 8.9	— 14.9	— 13.7
Machine industry ...	+ 43.8	+ 43.5	+ 37.8	+ 49.1
Electro-technical industry ...	+ 23.1	+ 25.2	+ 27.0	+ 28.0
<b>Metal industry ...</b>	<b>+ 139.6</b>	<b>+ 161.6</b>	<b>+ 139.4</b>	<b>+ 142.3</b>
Leather and currying industry ...	+ 9.4	+ 2.1	+ 0.3	— 10.1
Paper industry ...	+ 16.3	+ 25.4	+ 21.1	+ 18.0
Chemical and dye industry ...	+ 40.1	+ 72.7	+ 64.6	+ 56.2
Timber industry ...	— 22.0	— 14.7	— 13.5	— 12.9
Clay, china and glass ...	+ 19.0	+ 26.1	+ 26.9	+ 25.0
Rubber industry ...	— 1.3	— 5.8	— 5.0	— 4.4
Motors and motor cycles	+ 6.0	— 3.8	— 4.6	— 4.4
Bicycle industry ...	+ 1.1	+ 2.0	+ 1.6	+ 1.7
Shipbuilding industry	— 1.1	+ 4.8	+ 1.2	+ 3.8
Fine mechanical industry	+ 10.9	+ 13.9	+ 14.1	+ 15.8
Children's toy industry	+ 8.5	+ 9.8	+ 13.3	+ 13.9
Oil industry ...	— 49.0	— 55.8	— 60.8	— 68.0
Tobacco industry ...	— 11.9	— 13.9	— 12.6	— 12.5
Other industries ...	— 15.0	— 0.3	+ 5.0	+ 1.4
<b>Total ...</b>	<b>... + 92.3</b>	<b>+ 211.8</b>	<b>+ 196.5</b>	<b>+ 156.0</b>

The textile industry shows this time a small import surplus. The increasing imports of raw cotton have occasioned a heavy deficit in the cotton industry, to which the falling off in the export of manufactured goods has also contributed. The silk industry also shows increased imports of raw silk and a decrease in the export of silk fabrics. The export of woollen fabrics has fallen off, but as the import of raw wool has also decreased considerably the balance of trade in the wool industry has improved. The balance of trade in the ready-made clothing industry, which is calculated by deducting

the imports of clothing and underlinen from the total exports (textile raw materials being included under the cotton industry, the wool industry, etc.), shows an export surplus of Rmk.13 mill. as compared with Rmk.9.9 mill. in August and Rmk.5.5 mill. in July.

No radical change has occurred in the metal, machine and electrical industries, though the balance of trade in the iron industry shows a further depreciation, while there has been a slight improvement in the machine industry. There has been an increase in the imports of iron ore from Rmk.13 mill. to Rmk.17.2 mill. coupled with a slight increase in the import of iron goods, whereas the export of tubes and rolled and cast iron has fallen off. The leather industry records an increasing import of hides and skins, so that the balance of trade in this industry shows a deficit of Rmk.10.1 mill. The position has further depreciated in the chemical and dye industry. The most important drop is in the export of sulphate of ammonia, which fell to Rmk.7.5 mill. from Rmk.12.3 mill. in August and Rmk.17.2 mill. in July. The export of potash salts and other chemical raw materials has also fallen off, though that of dyes and dyestuffs has slightly increased. (*Deutsche Allgemeine Zeitung*, Oct. 23.)

### COMMUNICATIONS

**Further Shipping Amalgamations.**—In considering the processes which have for some time been developing in Hanseatic shipping circles, a distinction must be made between plans which aim at a combine involving all the big shipping companies, particularly the two most powerful ones, the Hamburg-America and the Norddeutscher Lloyd, and the endeavours of individual shipping companies to amalgamate with one another. Although the inclination towards a general trust does not appear great on the side of the parties chiefly interested, in spite of their friendly relations and cartel-like agreements, and although all such intentions were formally denied by them as recently as October 24, a far-reaching transaction, i.e. the amalgamation of the Deutsch-Austral and Kosmos Lines with the Hamburg-South America Line, is nevertheless obviously on the verge of conclusion. This movement, however, did not originate with the contracting parties, but was instigated by one of the great Berlin banks, which purchased a large parcel of Deutsch-Austral and Kosmos shares and then offered them to the Hamburg-South America Line.

Mystery still surrounds the sudden rise in the shares of the Woermann Line and the German East Africa Company in Hamburg, which have increased in value within a few days by 50 to 60 per cent. It is assumed, with some justification, that events are developing within these companies likewise in the direction of amalgamation with the Hamburg-America group. In this connection it must be pointed out that the Hamburg-America line is augmenting its capital by Rmk.50 mill. Even if the exchange of shares with the Deutsch-Austral and Kosmos were to be effected at the ratio of 1 : 1, there still remains Rmk.20 million unaccounted for up to the present.

In order to form an opinion of the trust movement in German shipping it is necessary to follow the course of concentration within Hanseatic shipping during the last few years. The Norddeutscher Lloyd amalgamated with the Roland Line and the Hamburg-Bremen Africa Line. The Roland Line was already in relations with the Kosmos company, and the Hamburg-Bremen Africa Line with the Hamburg-Africa shipping companies. The Hamburg-America Line was also implicated in the latter interest, while the Norddeutscher Lloyd undertakes the Australian service together with the Deutsch-Austral. An amalgamation of the Deutsch-Austral and Kosmos lines with the Hamburg-America Line brings the latter into close touch with the Norddeutscher Lloyd, and if the Woermann Line and the German East Africa Line are included in the scheme of amalgamation, the shipping trust between the Hamburg-America Line and the Norddeutscher Lloyd will be

complete. For the Bremen Argo Line, which together with the German Levant Line supplies the Oriental service also, already belongs to the Norddeutscher Lloyd, while the German Levant Line is in the hands of the Hamburg-America Company.

The position of the German Shipping Company "Hansa" in Bremen and the Hamburg-South America Line in the coming combine still remains doubtful. These companies constitute two entirely independent shipping lines, which up to the present are completely without connections. Their inclusion in the new trust will not be so easily brought about by the purchase of a majority of their shares.

The *Deutsche Allgemeine Zeitung* (Oct. 26) accepts the Hamburg opinion with reserve, although the rapprochement between the two great shipping groups will undeniably become closer in consequence of the imminent fusion between the Austral-Kosmos and Hamburg-South America Companies. It is no doubt true that the trust tendency which is manifesting itself throughout the economic system is spreading to the shipping world, and will inevitably be victorious in the end. Denials are always the prelude to great transactions and are of merely transient worth. It is, however, rumoured that the Rmk.20 mill. of new capital remaining to the Hamburg-America Line after the purchase of Rmk.18 mill. of shares of the Deutsch-Austral and Rmk.12 mill. shares of the Kosmos Line at the ratio of 1 : 1 will be utilised to pay off the Dutch mortgage on the Stinnes fleet recently taken over by the Kosmos Deutsch-Austral company.

The *Hamburger Fremdenblatt* (Oct. 23) in commenting on the expected amalgamation points out that a group which includes the Hamburg-America, the Deutsch-Austral, the Kosmos and the Stinnes lines will have at its disposal 800,000 g.r.t. as against about 600,000 g.r.t. belonging to the Norddeutscher Lloyd. There can no longer be any doubt that an amalgamation of such dimensions will exercise a strong influence over that portion of German shipping which still remains independent. It is nevertheless premature to speculate as to which of the main groups will absorb the remaining independent units.

## ITALY

### FINANCE

**Monetary Reforms and Banking Measures.**—The determination of the Italian Government to restore and maintain the lira is clearly reflected in the currency measures that have recently been passed. A full account of these restorative measures is given in the September issue of the *Rivista di Finanza Moderna* and in the *Corriere della Sera* under dates September 1, 2, 3 and 9.

The new laws form but a part of the extensive programme that has been adopted for the complete sanitation of the Italian national finances. The first part of this programme, the establishing of a stable and balanced budget, has already been successfully carried out. The next task was to prepare the way for the revaluation of the lira; the present measures are welcomed by the Italian Press as the first step towards this desired end. Signor Mussolini has long advocated a severe deflationist policy and the measures for financial and monetary reform introduced by the Minister of Finance give full expression to this leading motive.

The main provisions of the new measures may be summarised as follows. The Morgan 90 mill. dollar loan, previously at the disposal of the Italian Treasury, is to be transferred from the Treasury to the Banca d'Italia, while the Bank in its turn will annul a credit of L.2,500 mill. arising from circulation issued on behalf of the State. Every year a sum of L.500 mill. must be earmarked for the gradual reduction of the bank circulation of the State. The 25-lira notes are to be generally withdrawn from circulation and silver coins will be substituted for the ten and five lira notes. The third



article fixes the circulation for commercial purposes at L.7,000 mill., to be increased to L.8,000 mill. only in exceptional circumstances. This provision will in effect abolish concealed inflation for commercial purposes. The *Giornale d'Italia* adds that a sum of L.455 mill. (gold) has been placed to the reserves of the Bank of Italy, the total reserves being L.2,400 mill. (gold).

Several smaller financial measures were also introduced at the same time, one being the extension to foreign Consular officials in Italy of exemption from the tax on personal property.

The October *Report of the Association of Italian Corporations* states that the transfer of the dollar loan was made on September 15 last and that by this transaction the note circulation on account of the State was reduced from L.6,728 mill., at which it stood on July 31, to L.2,229 mill. The result has been to reduce Treasury indebtedness and to improve the quality of the currency, which, for the amount in question, no longer represents a Treasury debt, but is offset by a gold cover.

The Government intends within three months to wind up the autonomous section of the Consortium for subventions on industrial securities.

Much comment and some alarm has been caused by the measure which sets a limit to the note issue available for discounts and advances required by industry and commerce. As a matter of fact it entails no immediate reduction, but points to a prudent policy in granting credits and will tend to restrict new investments, and to bring about a healthy revision of productive and credit activities. The supervision of the market and the regulation of credit operations will centre in the Bank of Italy, which is in a position to judge of business needs and to regulate currency rehabilitation and deflation with due regard to the requirements of productive enterprise. The Minister of Finance has pointed out that much can be done to ease the situation by increasing the velocity of circulation, and by a more general use of cheques for effecting payments.

As was clearly foreseen, these measures have necessarily reacted rapidly upon the general economic situation. On the one hand, the lira has gained many points on the international exchange markets; but on the home stock market there has been a general decline, affecting both government and industrial securities. Here the tendency is to discount rapidly the necessarily slow process of revaluation; and while the wholesale price index shows so far no marked tendency to a decline, the Stock Exchange quotations indicate a fall in all securities. In the case of government bonds the decline is undoubtedly temporary, as revaluation of the lira must necessarily increase their value; but profits realised largely as a result of currency depreciation are destined to disappear now that the process has been reversed.

While firmly pursuing its monetary policy the Government is taking active steps to relieve, as far as possible, the fiscal burdens placed on productive enterprise. It has met the wishes long expressed by joint stock and other companies that income tax be assessed for them on the basis of the profits actually earned during the year for which the tax is levied; another and more important measure is that which exempts from income tax, now levied at the rate of 24 per cent., interest payable on new debentures issued by provinces, municipalities, joint stock companies, and other corporations. This will facilitate the financing of industry and the formation in Italy of a large market for such securities which the revaluation process will favour. A similar exemption has been granted to interest on bonds issued by land credit banks.

Income tax on the wages of workers employed by the central or local government bodies has been reduced from 10 to 4 per cent., and exemption is granted to all on the first 1,000 lire of income; in 1929 this limit will be raised to 2,000 lire. The tax on hotel bills and the Treasury turnover tax levied on the receipts of spas and

hydros have been repealed, as also the tax on bicycles. The cost of these measures to the Treasury is estimated at 50 million lire.

Ever since the war the need of legislation to safeguard savings deposited with banks has been discussed by the public and the Press. Hitherto banks have been the object of no special legislation, beyond the general requirements laid down in the Commercial Code. Henceforth authorisation to open a bank must be obtained from the Ministry of Finance, acting jointly with the Ministry of National Economy, on the advice of the bank of issue. All banks will be required to set aside not less than one-tenth of their annual profits to form a reserve fund until such time as said reserve amounts to 40 per cent. of their capital and they must forward their monthly statements and annual balance-sheets to the bank of issue to which are entrusted the functions of supervision and inspection. The regulations which the Government will publish for the enforcement of this decree will determine among other matters the minimum capital required in the case of new banks which accept deposits, taking into due account their field of action and special characteristics, and the required ratio of capital and reserves to deposits.

### First Consolidated Statement of the Bank of Italy.

—The first statement of the Bank of Italy under the new conditions by which it has become the sole bank of issue was recently published in the general Press and discloses some interesting changes compared with the preceding statement. The recognition of the Bank of Italy as the sole issuing bank involved the transfer to it of the issues of the other two Italian banks of issue, viz. the Bank of Naples and the Bank of Sicily. The first consolidated return refers to the situation as at the end of July last, the summary of which is shown in summarised form in the following table, in comparison with the aggregate of the three banks at the end of June (in millions of paper lire, except for "total reserve" which is in millions of gold lire):—

	Aggregate of three banks, June 30.	Bank of Italy, July 31.
<i>Liabilities.</i>		
Notes in circulation ... ..	18,342.8	18,319.0
Public deposits ... ..	1,970.4	1,321.0
Other deposits ... ..	2,359.5	2,392.3
<i>Assets.</i>		
Interior bills ... ..	6,662.2	6,174.5
Advances to Treasury ... ..	6,729.4	6,729.4
Other advances ... ..	3,517.1	2,855.9
Credit with Special Independent Section of Syndicate for advances against industrial securities ...	3,420.8	3,408.5
Investments (Government securities)	459.6	357.7
Total reserve (millions of gold lire) ...	1,977.2	1,946.6

The note circulation of the Bank of Italy alone as at June 30 was L.14,098.6 mill. The note circulation of the remaining two banks amounted to approximately 4 milliards, of which some 620.5 millions have already been replaced by Bank of Italy notes. The taking over of the entire note issue by the Bank of Italy was accompanied by the transfer to it of a reserve of L.310.9 mill. (gold). The advances to the Treasury by the Bank of Italy are considerably larger than those that figured in the Bank's previous statement; but the total as at the end of July is the same as the combined total of the three banks as at the end of June, since the Bank of Italy simply took over *en bloc* the items of the other two banks to this account. There appears in the statement a big drop in public deposits, but this is mainly due to the redemption of debt by the Treasury to the amount of L.1,449 mill. during the month of July. According to a ministerial announcement that accompanied the introduction of the monetary reforms referred to in the above article, the Special Independent Section of the Syndicate for advances against industrial securities may shortly be dissolved, since it was established to liquidate frozen assets, and it is estimated that this will be completed within two or three months.

**Geographical Distribution of Italian Banks.**—An interesting study of the distribution of Italian banks according to the different provinces and of the general development of these banks up to the end of the year 1924 is contributed to the September issue of the *Rivista Bancaria* by Signor Mario Segre. The writer submits a detailed table of statistics illustrating the difference in the course of the development of the banks that have their head office in the chief town of the respective provinces and those that have their head office in some other town in the provinces. Summarising these figures we have drawn up the following table showing the number of banks (a) with head office in the capital, (b) with head office elsewhere, at the end of 1924 as compared with the situation in 1918 and 1913:—

Province.	1913.	1918.	1924.
Piedmont (a) ... ..	—	2	9
(b) ... ..	7	7	13
Liguria (a) ... ..	5	4	9
(b) ... ..	3	2	3
Lombardy (a) ... ..	11	16	38
(b) ... ..	23	28	37
Venice (a) ... ..	—	—	4
(b) ... ..	9	11	18
Emilia (a) ... ..	4	5	7
(b) ... ..	10	11	14
Tuscany (a) ... ..	2	3	5
(b) ... ..	1	2	6
The Marches (a) ... ..	1	1	1
(b) ... ..	1	2	5
Latium (a) ... ..	4	10	22
(b) ... ..	—	—	—
Umbria (a) ... ..	—	—	1
(b) ... ..	—	—	—
Abruzzi (a) ... ..	—	—	—
(b) ... ..	2	2	4
Campania (a) ... ..	3	3	7
(b) ... ..	3	5	8
Apulia (a) ... ..	—	—	2
(b) ... ..	—	—	3
Basilicata (a) and (b) ... ..	—	—	—
Calabria (a) ... ..	—	—	1
(b) ... ..	—	1	1
Sicily (a) ... ..	1	1	2
(b) ... ..	1	1	3
Sardinia (a) ... ..	1	1	1
(b) ... ..	—	—	—
New provinces (a) ... ..	3	4	6
(b) ... ..	1	4	7
Total (a) ... ..	35	50	115
(b) ... ..	61	79	122
Grand total ... ..	96	129	237

These figures show that there is a tendency for the banks with head offices in the provincial capitals to multiply more rapidly than those with the head offices in other important centres, the number of the former having been more than trebled during the period under survey, while the number of the latter has been exactly doubled. In both cases the growth was much more pronounced between 1918 and 1924 than between 1913 and 1918.

Summarising Signor Segre's figures according to the respective share capital of the different banks in all provinces, we arrive at the results shown in the table below:—

Number of banks in the year	1913.	1918.	1924.
with capital below L.1 mill. ... ..	49	52	14
with capital between L.1 and L.5 mill. ... ..	38	60	146
“ “ “ L.5 mill. and L.10 mill. ... ..	5	8	35
“ “ “ L.10 mill. and L.25 mill. ... ..	1	5	28
“ “ “ L.25 mill. and L.50 mill. ... ..	—	—	4
“ “ “ L.50 mill. and L.100 mill. ... ..	1	1	3
with capital above L.100 mill. ... ..	2	3	7
Total ... ..	96	129	237

It will be noted that the large increase in the number of banks in Italy is chiefly due to the growth of banks with fairly big capital, the most remarkable development being that of the banks with a capital of between L.10 mill. and L.25 mill. The banks with a capital

below a million lire actually declined in number from 49 in 1913 to 14 in 1924, although they had risen to 52 by the end of 1918. The number of banks with a capital of between one and five millions was approximately trebled, and that of banks with a capital of between five and ten millions increased sevenfold between the years 1913 and 1924. Moreover, whereas there were only four banks in 1913 with a capital of over ten million lire, in 1924 there were 42 banks of this status.

The noteworthy growth of capital in Italian banks is not merely a reflection of the depreciated currency; it also demonstrates the determined and continuous progress that has been made in the organisation of Italian banking. It should be noted that the figures quoted above do not take into account the number of branch banks in the different provinces, which in many cases perform the work of independent local banks.

## TRADE

### Foreign Trade Returns for the Third Quarter.

During the course of the third quarter of the present year Italy's commercial exchanges with foreign countries have made a very notable progress. The persistently heavy adverse balance during the first half of the year occasioned grave concern in economic circles, despite the fact that the policy of "temporary importation" was being followed with a view to affording Italian industry an easy access to the requisite raw materials. The encouraging returns for July, August and September have, however, stimulated expectations that in the near future the foreign trade balance will at last be a favourable one.

The value of imports and exports during the months of July, August and September is shown in the table below, in relation to the results for the first six months of the year. The returns for August and September (extracted from the *Corriere della Sera* of October 20 last) are admittedly provisional; the final returns, however, will probably differ but little if anything from these advance figures (in millions of lire):—

	Imports.	Exports.	Adverse balance.
July ... ..	2,059.1	1,322.9	736.2
August ... ..	2,026.0	1,634.0	392.0
September ... ..	1,766.7	1,694.4	72.3
Total ... ..	5,851.8	4,651.3	1,200.5
Total for the first half-year ... ..	14,356.5	8,270.5	6,086.0
Average monthly adverse balance for the first half-year ... ..	...	...	1,014.3
Average monthly adverse balance for the third quarter ... ..	...	...	400.16

The value of exports in September was the highest and that of imports the lowest of any month during the course of the present year. From the figures submitted above it will be noted that the average monthly balance for the third quarter has been diminished by approximately 60 per cent. as compared with the average for the first six months. The improvement was already very marked in July, the adverse balance for which month declined to 736 millions. A favourable feature is that the adverse balance for August was slightly and that for September considerably below the average adverse balance for the whole of the third quarter. The September balance was also less unfavourable than that of September 1925.

There has of late been a diminution in the importation of live stock, foodstuffs and tobacco, but the value of imports of oils, fats and oleaginous seeds show a marked increase. The latter commodities are, however, for the most part imported as raw materials for certain home industries. There has this year been a very pronounced rise in the importation of peanuts for the purpose of manufacturing edible oils, the total value of such imports so far this year being nearly double that for the corresponding period of 1925, and nearly five times that for the similar period of 1924. The trade in chemicals, etc., does not show up very favourably, and there is a tendency for the adverse balance in this branch

to increase. On the other hand, the trade in textile fibres and goods is proceeding quite satisfactorily and the favourable balance of the exchanges is steadily growing. The business in ores, metals and metal goods shows but little change on the situation last year; the general situation in this branch is not regarded as altogether satisfactory.

Although Italy has had a commercial agreement with Russia since 1924, there was until quite recently but little business transacted between the two countries. A change has now taken place and there are signs that the incipient activity will be further developed within the near future. In 1925 Italy purchased only about 50 truckloads of coal from Russia, but the total of such consignments this year has already reached the figure of approximately 45,000 tons. An Italian-Belgian concern is now working a petroleum concession in South Russia and considerable supplies of naphtha and other products are assured to Italy from this quarter. According to the latest returns about 350,000 tons of petroleum products have already been imported into Italy this year from the oilfields belonging to the above-mentioned concern. To counterbalance these augmented imports from Russia Italian manufacturers are making strenuous efforts to extend and intensify their sales in the Russian market, and are apparently being rewarded with a fair measure of success.

#### Turnover of Goods at the Port of Trieste in 1925.—

—The following figures have recently been issued to the Press respecting the total imports and exports that passed through the port of Trieste during the different months of 1925 (in hundredweights):—

	Incoming goods.	Outgoing goods.
January ...	2,646,146	1,987,288
February ...	2,872,379	1,946,856
March ...	3,068,194	2,085,158
April ...	3,176,083	2,219,044
May ...	2,604,776	1,794,831
June ...	2,589,744	1,706,695
July ...	2,803,580	1,584,133
August ...	2,340,979	1,559,529
September ...	2,478,391	1,453,969
October ...	3,016,956	1,710,226
November ...	2,538,550	1,621,808
December ...	2,963,486	1,888,987
Total ...	33,101,264	21,558,524

## INDUSTRY

**Production of Light Metals.**—Hopes for Italy's industrial future are based largely on the development of industrial chemistry, which is constantly pointing the way to means whereby countries poor in natural resources may make the best use of those they possess and utilise apparently valueless material. An instance of this is afforded by the uses to which the volcanic product leucite, of which vast quantities exist in Italy, can be put for the production of potash fertilisers and alumina, which, obtained by the Blanc process, can be utilised for the manufacture of aluminium.

The growing industrial importance of such light metals as aluminium and magnesium alloys (elektron, dow-metal, etc.) is a matter of economic importance to Italy in so far as they may offer a substitute in the future for imported iron and copper.

The aluminium industry started in Italy in 1907 and before the war the annual output amounted to some 900 tons. During the war years it rose to 1,740 tons, but fell again in 1922 below the pre-war level. In 1924 the output amounted to 3,000 and in 1925 it exceeded 7,000 tons. Italy's sources of supply of raw material for this industry consist in the bauxite deposits in the Central Apennines and in Istria and the Istrian archipelago. Until recently the bauxite obtained from the latter district was exported almost entirely to Germany, as scarcity of electric power and the absence of coal made it inadvisable to transform the ore into aluminium on the spot. Now, however, the possibilities of utilising the coal from the neighbouring Arsa mines or of securing cheap electric power are being studied, and meantime

the Ministry of National Economy has regulated production and export of this ore in the interests of the home aluminium industry.

So far magnesium alloys have not been produced in Italy, but the possibility of utilising the chloride of magnesium obtained from the home and colonial salt mines for their production is now being studied. The rich deposits of magnesite (carbonate of magnesium) which Italy possesses could also supply the oxide of magnesium now used for the production of the metal by a new process of electrolysis recently introduced into America.

The Superior Council of National Economy recently examined the whole question, and is having an exhaustive study made with a view to measures for encouraging and developing the aluminium industry in Italy and to report on the utilisation of Italian raw material in the production of magnesium.

In 1925 Italy imported 6,694 tons of aluminium and its alloys, valued at some 97 million lire. During the first half of 1926 these imports amounted to 2,286 tons, valued at some 33 million lire. (*Report of the General Fascist Confederation of Italian Industries, October.*)

## UNITED STATES

**The Business Outlook.**—In attempting a forward look into the prospects of business for the last quarter of 1926, and for any period beyond that boundary mark, writes Mr. Benjamin Baker in the *New York Annalist* of October 15, the cool-minded observer can hardly fail to be impressed by the practically complete absence of any indications such as in the past have seemed the signs of marked changes. It is true that the price of cotton has suffered a very serious decline, which probably will affect the purchasing power of the Southern States, and tie up a considerable capital in withholding the excess from market. It is also true that the industry of New England is, generally speaking, in an unprosperous condition. It is further apparently true that the Western farming regions are suffering a measurably unfavourable falling off in the purchasing power of their products in the terms of manufactured goods. But none of these situations gives, at present, any clear indication of either being or developing into a major depressing force on the business of the country at large.

In the shape of direct and powerful supporting influences, we find such things as a trend of building contracts upward and at a high level, where all logic seemed to forecast a decline; we have unusual activity both as to production and as to sales in the automobile industry; we have unexampled activity and prosperity in the railroad transportation industry; we have evidence that the retail distribution of goods last month was some 8 or 10 per cent. larger than in the same month of 1925—an increase rather larger than was to be expected from the mere growth of the country's population. And in the extraordinarily high level of steel production we have a faithful reflection of the great activity of all lines of business which consume steel—both the manufacturers of steel products and the ultimate consumer-users of steel products. Finally, in the spending by individuals of every grade of economic position we see an outflow of purchasing power quite unparalleled in the past. Even the war-time days of the "silk shirt" extravagance are in no sense parallel to the present conditions; for while that outburst represented a level of artisans' wages above anything previously experienced, the whole scale of labour compensation has now risen far toward that earlier level—not to its extreme heights, but to a generally high level which shows itself in purchases of a range and quality such as were practically impossible for the masses of the country up to a very few years ago. And if we turn from wage earners to the so-called white collar class we find the same increased tale of expenditure. The young man and his bride-to-be, who used to accumulate funds for starting housekeeping, now marry out of hand

and go to the "budget" section of some department store; and apparently their married elders followed a similar plan. Seemingly everybody buys almost everything that he wants, and business hums in consequence.

That a large part of this accelerated spending, and the production which supplies its objects, are sustained by the country's extraordinary supply of bank credit, which is based on a likewise extraordinary supply of monetary gold, is a fact which has been rather drastically driven home to the consciousness of the business forecaster in the past year and a half.

The observer of business who has reasoned by analogy from the ups and downs of business up to the slump in 1921 has felt himself justified by the logic of past events, but has found himself very largely thrown out of his supposed reckoning by the new supporting power of unlimited bank credit. He has seen such an essentially serious débâcle as the collapse of the Florida land boom cushioned and robbed of most of its shocks by the abundance of credit. He sees a now almost universal system of selling everything under the sun on time payments engaging the active interest of the banks all over the country to such an extent that these institutions are in a very considerable degree committed to conserving their assets in the shape of instalment paper by the measures which large lenders usually find most preservative of the assets behind their loans. It would be overstating the case, of course, to say that the banks in general are ready to send any amount of good money after the instalment paper money which may later prove to be bad; but it does appear to be the case that shaky investments of every sort—including time purchases of consumption goods—find it unprecedentedly easy to secure the rescuing help of still more credit.

In looking forward to next year in business we apparently must start on the assumption that there will be unlimited money or credit, not only for next year, but very probably for several years. And with the lesson of the last two years' dexterous applications of credit to purchasing in mind, we shall apparently have to look for another marked decline in our present prosperity (excluding, of course, purely seasonal changes) to the development in this intensive application of credit to the whole range of our consumption, of maladjustments which either individually or taken together will disturb the credit balance as between industries so seriously as to necessitate an all-round revision of the granting of credit.

If one adopts this view he must take the position, which seems to this writer reasonable, that in the course of some years more of the present expanding use of credit for consumption purposes the suggested development of weaknesses aggregating a reformative force is a practical certainty. But when such a development will show itself seems now impossible to forecast, even in the vaguest terms. It is even arguable that the business and banking worlds have now reached such a pitch of sagacity that they will be able to carry out the present great scale of consumption-in-advance-of-payment for an indefinite period. In credit, however, appears to lie the secret of the business outlook.

**Bankers and Instalment Buying.**—Some time ago, says the *New York Journal of Commerce*, there was prepared for the American Bankers' Association a general report on instalment buying and selling. The contents of the report became known informally, but the document itself was for some reason not allowed to become public. At the recent convention in Los Angeles, however, its text was definitely given out and was approved by what is called the "Economic Policy Commission" of the association. This action represents really a revolutionary step in American banking, due to the fact that the report in question gives a kind of left-handed endorsement of the instalment buying plan, and while it does not recommend the purchase of instalment paper by bankers, its findings, if taken at face value, would certainly sanction such purchase. It

was doubtless because of the recognition that the report had this revolutionary quality that it was so long held back.

What is of more interest, however, than the change in front on the part of the Bankers' Association is the method of approach which is employed. The association admits that instalment buying "stimulates trade," but it goes on to note that "over-extension of instalment selling would not only affect those interested directly in the deferred payments but would also cause a curtailment of the production of those industries which had been greatly stimulated by instalment selling." It therefore "recommends to all those who are genuinely interested in instalment selling that they carefully guard against any departure from recognised sound business principles and against any undue extension of this practice." Above all, it suggests "caution" and refusal of credit unless everything is perfectly "sound" and conservative. Elements of soundness which are mentioned are the establishment of satisfactory "down" payment and a short "maximum time" for the extinction of the debt.

Now with all due respect to the grave and learned seigniors who got out this "report," their findings are the most arrant nonsense that has been perpetrated for a long time in the credit field. They represent, moreover, the sort of good-Lord-good-Devil attitude which does so much to vitiate the practice of banking and to bring to the front conditions of unsoundness which never are rectified until it is too late. The report also embodies the pharisaism which is so characteristic of many of our bankers, because it endeavours to tell the business man exactly what he ought to do while it fails to apply the same medicine to the banking profession itself. But what is sauce for the goose is also sauce for the gander, and the bankers of the country would do very wisely to take their own advice on many subjects more seriously to heart.

Of course, there is no harm in instalment buying and selling if it is "not carried too far." There is no moral code either in banking or business that makes it wrong to "trust" another man or give him "time." The whole question is whether it is right for the banks to buy the paper of those who are engaged in giving this kind of credit and thus to finance them and enable them to carry on the trade. And that question comes down to whether the banks have engaged themselves to pay depositors on demand.

It is well enough to give the business man sober-faced advice about the ethics of instalment trading, but the real man who needs the advice is the lending officer of the bank. There have been many banks heretofore that have absolutely refused to take on any of this paper, an attitude which in itself was rather ridiculous. There are others that are hopelessly overloaded with it at the present moment, a situation which is not only unsound but dangerous. What ought to be done to clean up the present banking situation in this regard? That is the real problem, and it is one which the Bankers' Association does not struggle with at all.

**The Cotton Crop.**—The total area planted to cotton this year exceeds even the remarkably high figure of 48,090,000 acres planted in 1925, says *The Guaranty Survey* published by the Guaranty Trust Company of New York on September 27. There were 48,898,000 acres in cultivation on June 25. The preliminary estimate of abandonment for the season is 1,691,000 acres. This abandonment would leave for harvest 47,207,000 acres, which compares with 46,053,000 acres actually picked a year ago.

In spite of this record acreage, however, this year's crop of cotton is not likely to equal the total of 16,103,679 bales produced in 1925. The current crop has been late and extremely backward, whereas last year's crop had an early start and the benefit of a long open season. Unfavourable weather conditions, damage by the boll weevil and the cotton hopper and the fact that the plants

are not fruited as heavily as is usual at this time of the season, all point to a crop somewhat below the amount harvested a year ago.

The Department of Agriculture in its report of September 16 estimated this year's crop of cotton at 15,810,000 bales of 500 pounds gross weight. This compares with 15,166,000 bales indicated on September 1 and 16,103,679 bales produced in 1925. The immediate result of the Government's report was a sharp decline of about \$5 a bale in the price of cotton, since a much smaller figure was looked for by operators. The official estimate was perhaps 500,000 bales above general expectations. The fact that range forecasts indicating maximum and minimum yields under various climatic conditions were omitted may have been responsible to some extent for the sharp break in prices. The Government estimated the condition of the crop on September 16 at 53.8 per cent. of normal and the average yield per acre at 167.2 pounds.

Since the beginning of this month the weather has been generally favourable in the Cotton Belt, and it was considered likely that the report of the Government would put the final crop at a figure above the previous estimate, although no such striking improvement was expected. The betterment in climatic conditions has facilitated the picking and ginning of cotton and has improved the prospect of the final yield.

Shipments during the twelve months ended July 31 amounted to 8,154,370 bales, as against 8,195,826 bales exported in 1924-25. This decrease in exports, however, was more than offset by the increase in domestic consumption, 6,450,987 bales having been consumed last season, as compared with 6,193,417 bales a year earlier. Total consumption and total exports, however, have not been sufficiently large to absorb the increased yield in 1925. As a result, stocks of American cotton are larger than in any other recent year. The Department of Commerce reports 2,636,537 bales as held in consuming establishments, in public storage and at compresses on August 31, as against 1,720,705 bales in 1925. The effect of these large stocks on the price of cotton is offset somewhat by the fact that practically every country in Europe reports a slight decrease in stocks.

It is still too early to speak with any degree of certainty about the probable price levels for the coming season, since weather conditions may materially alter the present outlook. It will take several weeks of good weather to overcome the damage done earlier in the year, and it is not likely that this year's crop will be as large as the record yield produced in 1925. It must be remembered that last year the top crop was unusually good, while at present even the chances for a good middle crop are somewhat doubtful.

Even if the Government's figures are realised, there seems to be no justification for a further marked decline of prices, since it is reasonable to suppose that the consumption of cotton this year will be greater than a year ago. Both exports and mill takings are running well ahead of last year. Exports in the month of August totalled 391,000 bales, as against 356,000 bales in July and 313,000 bales a year ago. Consumption returns in August show gains of 8.7 per cent. over July and 11.6 per cent. over August last year. This increase in consumption and exports resulted in a decline of nearly 400,000 bales in stocks during August. It would not be wise, however, to look for any material strengthening of prices in the immediate future, considering that stocks are ample and a good-sized crop is practically assured.

After curtailment in production during the spring and early summer, the cotton textile industry is gradually resuming full-time operations. Orders are coming in rapidly as a result of the sharp cut in prices of raw cotton in July and August. It is expected that some of the mills will soon be forced to run over-time. The problem facing the cotton mill industry is to sell goods at larger gross profits, since the tendency of jobbers, retailers, cutters and converters is to avoid the carrying

of large inventories, thus throwing this burden back upon the mills.

All things considered, the official September reports of crop conditions promise well for the immediate future of agriculture, in spite of the fact that the purchasing power of farm products shows a decline in the average for the early part of this year for the first time since 1921. With bountiful crops of good quality and a fair demand, American farmers may reasonably anticipate gross profits not much below those of last season. The movement of crops has already begun to swell the volume of railway traffic and stimulate trade activity; and a further moderate increase in the volume of consumption of manufactured products in rural districts may be expected.

Since the above was written the Department of Agriculture has produced three more reports which upset all previous calculations. The first of these (October 2) estimated the yield at 16,627,000 bales, which with linters would give a crop of 17,500,000 bales, the largest cotton crop so far on record; the second, on October 25, put it at 17,454,000 bales, which with linters would give a crop of well over 18,000,000 bales; the third, on November 8, now estimates it at 17,918,000 bales. In view of this extraordinary stock increase—from 15,166,000 bales on Sept. 1 to 15,810,000 on Sept. 16, to 16,627,000 on Oct. 8, to 17,454,000 on Oct. 25 and to 17,918,000 on Nov. 8—it may be of interest if we refer the reader to the article on "Cotton Crop Reporting" by Mr. Secretary Jardine, of the Department of Agriculture, reproduced in THE ECONOMIC REVIEW of December 18 and 25, 1925. The report of October 8, says the *Annalist* (Oct. 15), confirms the most bearish private estimates. This latest estimate, it proceeds to say, is apparently borne out by the present unprecedented ginnings and movement of the crop, and is larger, by a wide margin, than the quantity we can expect to market in one year. As a result of the estimate, prices dropped to the lowest level in five years, when December contracts sold at 12.36 cents. However, it was not the Government report alone that brought about the distress prices. The latter have been melting away for many weeks. As a matter of fact the Government estimate merely coincided with the lowest price. Spot cotton on the farms in Texas sold at 11.5 cents per pound for a short time.

It is not necessary to draw upon the vast amount of historical facts to venture the opinion that the present prices of cotton cannot last. This does not mean that prices cannot go a cent or perhaps as much as two cents lower. In a panicky state of the market prices may be carried to levels distressingly below their intrinsic value and no one can predict at what level they may strike bottom. But even though the lows reached several days ago may not prove to be at the absolute bottom, they most certainly will prove to be below the average level which can reasonably be expected to prevail during the next year.

## A "Noise-proof" Telephone—

The T.M.C. "LARYNGAPHONE" gives an absolutely noise-proof telephone service. It is fitted in many Electric Power Stations and Factories, and, amongst other vessels, on the new Motor Ships "Asturias" and "Carnarvon Castle."

It is in use aboard ships belonging to:—

*Peninsular & Oriental Steam Navigation Co., British India Steam Navigation Co., Ltd., Canadian Pacific Steamships Ltd., Royal Mail Steam Packet Co., Union-Castle Mail Steamship Co., Ltd., Ellerman Lines Ltd., Atlantic Transport Line, Western Union Telegraph Co., Telegraph Construction & Maintenance Co., Ltd., Red Star Line, Rotterdam Lloyd Royal Mail Line, Union Line of New Zealand, Nederland Steamship Co., Great Western Railway, Anglo-Saxon Petroleum Co., Ltd.*

**The Telephone Manufacturing Co., Ltd.,**

Hollingsworth Works, West Dulwich,  
London, S.E.21

From a longer point of view it is immaterial whether financial assistance to cotton growers on a large scale will be forthcoming or not. If it does come, the process of adjustment of prices to intrinsic values may be more rapid and less painful. If it does not come, the resulting financial embarrassment will bring about the same results; acreage will be cut drastically next year, perhaps an important portion of the present crop will remain unpicked; while on the other hand the world consumption of our cotton is bound to increase at an unprecedented rate under such a price level.

In the meantime the South and Liverpool remain bearish. The former because it is blinded by the immediate distress of the people, the latter because as a foreign customer it expects to get the commodity at a still lower price. Neither of the two is a good judge of the situation. The small speculator in the East who is looking out for bargains has perhaps a better perspective of the situation than the cotton people. He reasons that something is bound to happen sooner or later that will lift up prices, and he is willing to exercise patience.

Signs of slackening in the speed of business have made their appearance, and this is also finding reflection in the report of Marshall Field that "road sales maintained about the same volume as last week, but failed to equal the figure recorded during the same week a year ago."

Weather in the belt continues favourable, but as winter is approaching we are likely to hear more of killing frosts. In the meanwhile the "brought into sight" movement is at record proportion, showing as yet little disposition to hold cotton from the market, which would lead one to believe that support is coming chiefly from the speculator, the much abused speculator who saved many a situation before.

Estimates have appeared assigning as much as \$500,000,000 loss in purchasing power on the part of the cotton belt people. Such estimates are highly hazardous. To start with, a very small proportion of the crop is marketed up to the middle of October. Texas, for instance, ginned to October 1 2,000,000 bales, or less than 40 per cent. of her total estimated crop. Not all cotton ginned is cotton sold, and of that sold not all is sold outside the cotton belt. The Southern spinners, if they bought at the low price, will have substantial profits, which will redound to the purchasing power of the community.

The most important consideration, however, is the fact that the physical wealth of the country is bound to increase materially, since our stocks of cotton will increase, as it is unlikely that foreigners will stock up to any large extent. This will mean so much more real wealth in the United States, much of it in the South. Of course individual sufferers may not benefit directly from such conditions.

As an index of the position of the individual States, it may be stated that Virginia, Georgia, Florida, Missouri, Tennessee, Alabama, Mississippi, Louisiana, Oklahoma, Arkansas and Arizona will have a crop smaller than last year, while the Carolinas and Texas will have much larger crops. Thus the Central Southern States will have a smaller crop, the South-eastern States a larger crop, and the South-west will, on the whole, have a larger crop. The South-east, enjoying a more diversified agricultural economy than the South-west, will find compensation in the good size and fair prices of their other crops.

Single copies of *Foreign Affairs*, an American Quarterly Review, may be obtained of all leading booksellers or through the International News Company Limited, 5, Bream's Buildings, London, E.C.4. Price 6s. 6d. Annual subscription 26s., post free.—*Adv.*

The *Eco Della Stampa*, Corso Porta Nuova 24, Milan, Italy.—This office reads for you all newspapers and reviews, and sends to you with all despatch cuttings concerning you. Terms of subscription will be sent on receipt of your card.—*Adv.*

## THE ECONOMIST'S BOOKSHELF.

### SHORT NOTICES.

**Pitman's Business Man's Encyclopædia and Dictionary of Commerce.** Part I. (London: Sir Isaac Pitman & Sons Ltd. Price, 1s. 3d. net.) This is the first instalment of the third edition of a work of reference which in its previous issues has earned for itself a deservedly high reputation for accuracy and comprehensiveness in its alphabetical survey of the whole range of business and commercial affairs. A Publisher's Note informs us that the work has been subjected throughout to revision at the hands of men whose practical knowledge of their own particular subjects can be absolutely relied on. Many new articles have been added and many more entirely re-written and brought up to date, while all extraneous and irrelevant matter has been religiously excluded. Apart altogether from business and commercial men for whom the publication was actually designed, the Encyclopædia may be recommended also as a useful work of reference to students of economics, journalists and politicians. The new edition will consist of thirty parts, issued fortnightly.

**The Canada Year Book 1925.** Edited by S. A. Cudmore, M.A. (Oxon.), F.S.S., F.R. Econ. Soc. (Ottawa: The King's Printer. Price, \$3 post free.) The present issue of this comprehensive survey of the resources, history, institutions and social and economic conditions of the Dominion of Canada is, as usual, a distinct improvement on previous volumes, including as it does a host of new features of distinct use to anyone really interested in this important division of the Empire. Among these special attention is directed to a new map of the southern portion of the Dominion, showing railways and ocean trade routes; census statistics showing the citizenship of the foreign-born population and the mother-tongue and language spoken; an enlarged and improved treatment of vital statistics; a sketch of the history of the Canadian lumber trade; new trade statistics showing by articles the trade of Canada with twenty-seven leading countries other than the United States and the United Kingdom; an outline of the organisation of Provincial Departments and Bureaus of Labour; a special article on the co-operative movement in Canada; wages statistics based on the census of industry; an explanation of the Bureau's new index number of security prices; statistics of Dominion finance and the Bureau's latest co-ordinated statistics of provincial and municipal finance; a new table showing the age-sex-grade distribution of pupils in elementary and secondary grades in eight provinces; an article on the Dominion Council of Health; permanent rates of war pensions; and new statistics relative to the Dominion civil service. Throughout the volume the latest available information is included in each section, tables generally including figures for the fiscal year 1924-25 and the letterpress supplying supplementary figures extending in some cases to the end of the calendar year 1925. On the whole, an eminently useful and readable production.

### PUBLICATIONS RECEIVED.

*Foreign Trade and World Politics: a Study of the International Foundations of Prosperity with Particular Reference to American Conditions.* By Herbert F. Fraser, Associate Professor of Economics, Swarthmore College. (New York and London: Alfred A. Knopf. Price, 14s.)

*The Motor Industry of Great Britain 1926.* (London: The Society of Motor Manufacturers and Traders, Ltd., Statistical and Information Department. Price, 2s.)

### FOREIGN BANK RATES.

	Per cent.	Per cent.	Per cent.
Amsterdam	3½	Dublin.....	6
Athens .....	11	Geneva.....	3½
Belfast .....	6	Helsingfors ..	7½
Belgrade .....	7	Kovno.....	7
Berlin .....	6	Lisbon.....	8
Brussels .....	7	Madrid .....	5
Bucharest ...	6	Moscow .....	8
Budapest .....	6	New York .....	4
Copenhagen ...	5	Oslo .....	4½
Danzig .....	5½	Paris .....	7½
		Prague .....	5½
		Reval .....	10
		Riga .....	8
		Rome .....	7
		Sofia .....	10
		Stockholm ..	4½
		Tokyo .....	6.57
		Vienna .....	7
		Warsaw .....	10

The official discount rates of the State Bank in Moscow for bills at two months is 8 per cent., for bills at four months 9 per cent. and for bills at six months 9½ per cent.

### UNIVERSITY OF LONDON.

A COURSE of Two Lectures on "AMALGAMATIONS" will be given by Mr. A. E. CUTFORTH, C.B.E., F.C.A., at the LONDON SCHOOL OF ECONOMICS, LONDON (HOUGHTON STREET, ALDWYCH, W.C. 2) on FRIDAYS, NOVEMBER 19th and 26th, at 5 p.m. At the First Lecture the Chair will be taken by Sir William Plender, Bart., G.B.E.

ADMISSION FREE, WITHOUT TICKET.

EDWIN DELLER, Academic Registrar.



# SULPHATE OF AMMONIA.

**The Best and Most Economical Form of Nitrogen.**

For prices and advice as to application apply to:—

**THE  
BRITISH SULPHATE OF AMMONIA  
FEDERATION, LIMITED,**

**30, GROSVENOR GARDENS,  
WESTMINSTER, S.W.1.**

Cable Address: **SULPHAMMO, LONDON.**

A.B.C. 5th and Bentley's Codes.

## Beta Naphthol & Salicylic Acid Prussian & Bronze Blues

Distilled Tar.	Solvent Naphtha.
Crystal Carboic Acid (39/40° C).	Liquid Carboic Acid (Cresylic Acid).
Creosote.	Disinfecting Fluid.
Pyridine.	Pitch.
Naphthaline (in various forms).	Toluole.
Liquid Ammonia.	Sulphate of Ammonia (25½% Neutral Quality).
Prussiate of Potash.	Prussiate of Soda.

*The* **GAS LIGHT & COKE CO.**,  
DAUNTSEY HOUSE  
FREDERICK'S PLACE  
OLD JEWRY  
LONDON · E.C. 2

Telephone: CITY 3660 and 3661.  
Telegrams: Foreign, "Blangus, London."  
Inland, "Blangus, Thread, London."

**BALLOON BRAND**